U.S. Department of State

FY 2001 Country Commercial Guide: Slovakia

The Country Commercial Guide for Slovakia was prepared by U.S. Embassy Bratislava and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

TABLE OF CONTENTS

1 EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Slovak Republic’s commercial environment, providing economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate numerous reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

Slovakia is a small economy in the heart of Europe, with an economy characterized by heavy industry and processing of industrial raw materials and agricultural commodities. After its peaceful separation from the Czech Republic in 1993, Slovakia experienced several years of high growth and low inflation. This “success” under the government of Prime Minister Vladimir Meciar, however, was heavily influenced by controlled prices, and large current account and fiscal deficits that were not sustainable. The present government, a broad coalition led by Prime Minister Mikulas Dzurinda, has focussed on macroeconomic stabilization and structural reforms to build a base for future prosperity, and on integrating Slovakia into European and Trans-Atlantic institutions. Economic growth dropped to 1.9 percent in 1999 and unemployment hovers near 20 percent. Due to tight austerity policies, the fiscal and current account deficits have dropped sharply. GDP appears set to grow by about 2 percent in 2000 and by over 3 percent in 2001. Among the austerity measures is a 3 percent import surcharge that applies to about 80 percent of imports. This surcharge should be abolished by the end of the year.

Important structural reforms are underway. Issues being addressed include lack of transparency in decision-making, a high tax burden, incomplete privatization, inadequate infrastructure, weak government-owned financial institutions, bankruptcy reform, high company debt, and low foreign direct investment.

Slovak consumers are very price-conscious. This can be an advantage to producers in Central Europe and the former Soviet Union. The Czech Republic holds a prominent share of Slovak trade because of historical ties and the Customs Union between the countries. German and Austrian companies enjoy the advantages of proximity and long experience in the Slovak market. Slovakia is a candidate for membership in the European

Union (EU) and on July 28, 2000 was invited to become a member of the Organization for Economic Cooperation and Development (OECD).

Among the areas offering the best potential for U.S. business are capital goods, information and communication systems, financial services, environmental products and services, management skills and production processes. Many Slovak enterprises are restructuring and need to modernize their equipment and methods.   U.S. companies and products have a positive image in Slovakia, and U.S. technology enjoys an excellent reputation. U.S. companies may encounter some unofficial preference for European (especially Austrian, German and Czech) business partners as a result of their historic presence in Slovakia, and there could be a tendency to buy from European Union companies while Slovakia builds its campaign to become an EU member. Slovaks occasionally comment that U.S. companies seem impatient and have a short-term view.

U.S. exports to Slovakia reached $289 million in 1999, putting the United States in 8th place among suppliers of Slovak imports with a 2.6 percent share. U.S. imports from Slovakia reached $145.4 million, ranking the United States 12th among purchasers of Slovak exports with a 1.4 percent share. Germany was Slovakia’s top supplier in 1999 with a 31.2 percent share of Slovakia’s $11.3 billion import market. The Czech Republic was second with 20.6 percent. Germany was the top buyer of Slovakia’s $10.2 billion in exports, taking 26.7 percent of the total. The Czech Republic was second at 20.3 percent. Slovakia had a trade deficit of $1.1 billion in 1999, and statistics for the first half of 2000 show it narrowing substantially.

Attracting foreign investment is a top priority of the Dzurinda Government. The Government offers tax holidays to foreign investors and is in the process of privatizing, either wholly or partially, most remaining state-held firms, including banks and telecommunications, insurance, natural gas, and power monopolies. About 80 percent of Slovakia’s GDP is now in private hands, including over half of the country’s industrial production, one of the highest rates of privatization in the region. The U.S. is currently the third largest investor in Slovakia (behind Germany and Austria) and U.S. interest in investing here is growing.

The commercial section of the American Embassy in Bratislava, CS Bratislava, can help you find your niche in Slovakia. We offer programs that have been proven in Commercial Service offices around the world, including Gold Key meetings, considerable market research, assistance at trade shows and much more. Our industry specialists can give your company the insights and contacts you need to launch sales in this market. Do not hesitate to ask us your questions about doing business in the Slovak Republic. You can contact us by telephone (001-421-7-5296-1079), fax (001-421-7-5296-1085) or email (bratislava.office.box@mail.doc.gov). American companies can also find much of our market research on the Internet at www.usatrade.gov.

2 ECONOMIC TRENDS AND OUTLOOK

2.1 Major Trends and Outlook

The economic outlook for the Slovak Republic experienced a sharp turnaround by the end of 1999. Prospects were bleak when the government of Prime Minister Dzurinda took office in October, 1998, with a 1998 current account deficit of 10.1 percent of GDP, a general government deficit of 4.8 percent, and diminished international reserves. However, the austerity program adopted by the new government produced remarkable progress. The general government deficit was held to 3.56 percent of GDP for the year, and this and accompanying austerity measures reduced the current account deficit to 5.7 percent of GDP in 1999.

The turnaround in Slovakia's international position and government finance produced a corresponding improvement in financial indicators. The crown, despite considerable fluctuation during the year as it followed its Euro benchmark, now is trading at roughly the same level, 44 to the dollar, as in June 1999. Domestic interest rates have declined sharply, from 24 percent on one-year bonds in late 1998 to 9 percent in February, 2000. Consumer price inflation topped 14 percent for 1999, but this development was driven by the government's austerity program, with repeated increases in regulated prices for electricity, gas, transport and other goods. Reserves have increased by roughly a third, to USD 4.5 billion, more than four months import coverage.

The Government of Slovakia (GOS) relied on two main policy levers to produce this result: fiscal austerity, and price increases. In the wake of a rapid depreciation of the crown in May, 1999, combined with increased reluctance on the part of the Central Bank to finance the government deficit, the Dzurinda government agreed on an austerity package that included increases in VAT and fuel taxes, an import surcharge of 7 percent (now 3 percent, to be phased out by the end of 2000), a wage freeze for government workers, cuts in capital spending, and other measures. The GOS also initiated a second round of price increases for transport, electricity, gas, water and other regulated goods. The resulting decline in domestic demand (beginning in the third quarter of 1999) and real wages in turn slowed growth.

However, the impact of these measures on the real economy has been less severe than expected. Over 1999 the economy still recorded real GDP growth of 1.9 percent, despite a decline in domestic demand of 4.3 percent. Growth slowed slightly in the first quarter of 2000, to 1.5 percent. Analysts at ING Barings estimate that domestic demand in the first quarter of 2000 declined 5.2 percent. Exports (in crowns) were up 11.8 percent in 1999 over 1998, while imports were up only 1.6 percent, cutting the trade deficit from 11.6 percent of GDP in 1998 to 5.9 percent 1999. Unemployment reflected weakened growth, rising from 16.3 percent in January, 1999, to 19.5 percent in January, 2000, before declining slightly to 19.1 percent in June, 2000.

The GOS remains committed to its austerity program. It forecasts a state budget deficit of 1.9 percent of GDP and a general government budget deficit of 3 percent of GDP for 2000. Analysts are concerned over whether the government will be able to hold expenditures down, given an unexpected vote by Parliament in June to increase pensions by 10 percent, instead of 7 percent, and the GOS decision to provide additional financing of SKK 5.9 billion to compensate farmers for drought losses. However, tax revenues have been relatively strong, and fiscal data for the year so far shows that the government has met expenditure targets.

The outlook for fiscal year 2001 appears to be more difficult. The Dzurinda government has set a goal for the overall general government deficit of 3.5-4.0 percent of GDP, but the Finance Ministry in late March released a statement indicating that the deficit could be much higher. Among the expenditure side challenges are skyrocketing social payments for the unemployed, a growing deficit in the pension fund, and the possibility of higher state payments on loan guarantees. On the revenue side, the GOS faces the loss of some SKK 9 billion from the import surcharge and the impact of the lowering of the corporate tax rate from 40 to 29 percent.

However, the government remains committed to reform. On July 28, Deputy Prime Minister Ivan Miklos, Finance Minister Brigita Schmognerova and National Bank of Slovakia Governor Marian Jusko formally recommended to the government that it seek an Enterprise and Financial Sector Restructuring Loan from the World Bank, as well as a Staff Monitored Program from the International Monetary Fund. On that same day, the OECD Council recognized the government's progress on economic reform by extending an invitation to the Slovak Republic to accede to the organization.

2.2 Financial sector

The fundamental transformation necessary to strengthen Slovakia's weak financial sector finally began in 1999. The Dzurinda government took definite steps toward privatizing four state banks that account for just less than half of the sector's assets. At least three of them should be sold by the end of 2001. At the same time, many of Slovakia's smaller banks either were sold to foreign investors or were taken under forced administration by the National Bank of Slovakia (the central bank) and liquidated. In addition, the government is negotiating with the World Bank to obtain an Enterprise and Financial Sector Restructuring Loan to underwrite the reforms.

The government has pledged to sell its majority in four banks: Vseobecna Uverova Banka (VUB), or General Credit Bank; Slovenska Sporitelna, or Slovak Savings Bank; the Investicna a Rozvojova Banka (IRB), or Investment and Development Bank, and Banka Slovakia. These banks account for about 45 percent of the sector's SKK 782 billion in assets at the end of 1999. The tender for sale of the government's 93 percent stake in IRB (assets of SKK 29 billion) has opened, with a deadline of July 31 to submit preliminary showings of interest. The government hopes to complete the sale by the end of 2000. The tender for about 85 percent of the Sporitelna has begun, and the government hopes to select the winner by the end of 2000, as well, and close the deal early in 2001. This is Slovakia's largest bank, with SKK 172.8 billion in assets and SKK 115 billion in deposits, the largest share of deposits of any bank. Currently, the government plans to retain about 10 percent of Sporitelna's shares.

The tender for Banka Slovakia will take place concurrently with that of Sporitelna. Banka Slovakia actually is a very small regional bank with three branches and SKK 4.1 billion in assets.

The sale of the VUB, which has SKK 133.8 in assets, is expected last. The Dzurinda government has proposed to the European Bank for Reconstruction and Development that it (or the World Bank's International Finance Corporation) takes a 15-20 percent share in the bank by the end of 2000. In the second step, the government's remaining stake (more than 50 percent) would be sold to a strategic investor by the end of 2001.

To prepare the banks for privatization, the Finance Ministry created a bad debt-resolution agency, Slovenska Konsolidacna, and transferred to it some SKK 97 billion (USD 2.13 billion) in bad loans, of varying quality. Both the U.S. government and the European Union are providing technical assistance to the agency for asset disposal, which should include auctions of bad loans beginning in late 2000. Prior to privatization, the Finance Ministry will replace these loans on the banks' balance sheets with marketable government bonds.

The remainder of the banking sector that is not foreign owned has been undergoing a shakeout. Of the 17 medium and small sized banks, three, AG Banka, Slovenska Kreditna Banka and Dopravna Banka, have been placed under forced administration and will be liquidated, with the deposit insurance fund reimbursing covered depositors. Priemyselna Banka was forced to merge with Slovenska Sporitelna. A fifth, Devin Bank, has been having difficulty in meeting minimum reserve requirements, but the government provided it with a temporary reprieve to allow it to seek additional capital through its collection of Warsaw-Pact era, official Slovak-Russian debt. Through a capital increase necessary to offset bad-loan losses, the Slovak government has taken a majority stake in medium sized Postova Banka (SKK 19.5 million in assets), which it plans to sell to a strategic investor.

A majority in Polnobanka has been acquired by Unicredito, an Italian financial group, and Czechoslovenska Obchodna Banka was acquired in late 1999 by Belgian KBC Bank. Other major foreign banks include Citibank, Ludova Banka (owned by Austrian Volksbank) and Tatra Banka (owned by the Austrian Raffeisen Group). In addition, Prva Komunalna Banka, a medium sized bank that had been owned by Slovak municipalities, has sold a majority stake to a French-Austrian consortium.

The Dzurinda government has sent the Parliament a law that would create a new, independent regulator for the financial sector, including capital markets and insurers. In addition, the government has said that it will privatize its majority stake in insurer Slovenska Poistovna by the end of 2001.

2.3 Enterprise sector

The weakness of Slovakia's banking sector reflects the troubles of Slovakia's enterprise sector. Although many successful Slovak companies have joined foreign owned manufacturers in creating a strong export base, a large group of Slovak companies are mired in a bad debt. This includes not just arrears on bank credit but also payables toward the social insurance (pension) fund, the unemployment fund, the health insurance companies, providers of public utilities, and others.

On the surface, industrial sector statistics appear to be positive. For instance, revenues from industrial activity were up 9.1 percent in 1999 over 1998, but that figure is not corrected for inflation (14. 2 percent CPI). While employment was down 4.5 percent, from 482,000 workers to 460,000, productivity was up 8.8 percent based on revenues, and 24 percent based on added value. Pre-tax earnings increased by a factor of five, from SKK 4.37 billion to 23.2 billion.

However, such aggregated data obscure the financial weakness of many Slovak companies. For instance, the engineering industry showed a loss of SKK 4.1 billion, on top of a 1998 loss of SKK 10.3 billion. Past due claims were up 12.5 percent. Obligations were up 15.5 percent, or SKK 32.1 billion at December 31, while past due obligations were up 43 percent.

As of August 1, several amendments to the bankruptcy law came into force. Until now, creditors generally have not found bankruptcy effective, because of the slowness and unreliability of the legal system, because of widespread fraud, and other factors. The amendments to the law will offer creditors the opportunity to force the naming of an acceptable bankruptcy trustee, whereas until now they have had virtually no power over this decision. It also will permit trustees to continue operating an enterprise in bankruptcy while looking for a buyer, an evolution from the previous approach, which favored liquidation of an enterprise and sale of assets.

The government is hoping that the sale of the best of the bad loans taken from the state banks will lead to new owners taking effective action, using the enhanced power of creditors under the amended bankruptcy law to restructure ailing enterprises. Slovenska Konsolidacna, the asset-resolution agency, will begin such assets sale this fall, probably with an SKK five billion (principal and accrued interest) offering.

2.4 Real economy

Real growth was 6.5 percent (later revised by the Statistical Office to 6.2 percent using a revised methodology) in 1997 but slowed to 4.4 percent (revised to 4.1 percent) in 1998. The economy slowed even more last year, with growth of 1.9 percent, producing nominal GDP of SKK 779.3 billion (revised to 815.4).

The state budget was built around an assumption that real GDP growth would reach 2.5 percent in 2000, while the National Bank of Slovakia forecasts that growth will be in the range of 2-2.5 percent. However, growth slowed even further in the first quarter of 2000 to 1.5 percent year-on-year, after rising 2.4 percent in last quarter of 1999. The first quarter results obscured a spectacular 19.8 percent year-on-year jump in foreign demand (exports of goods and services.) But domestic demand, under the influence of the government’s austerity program, dropped more than expected, with final consumption of households down 6.4 percent and government consumption down 5 percent year on year.

2.5 Public finance

The overall general government deficit for 1999 (defined by the IMF as the central government budget plus extra-budgetary spending, which in Slovakia includes state funds, off-budget agencies and municipalities) had reached SKK 27.801 billion, or 3.58 percent of GDP, down from SKK 34.445 billion, or 4.8 percent of GDP, in 1998. (The 1998 figure was revised to 4.8 percent of GDP from an initial estimate of 6 percent.) The government had pledged to cut the 1999 consolidated fiscal deficit to 3.0 percent. The general government deficit reached SKK 30.205 billion in 1997 and SKK 8.958 billion in 1996. This trend contrasted with the period 1994-1996, when Slovakia's fiscal performance was quite good, including a small surplus of SKK 9.790 billion in 1995.

The 2000 state budget projects a central government deficit of SKK 18 billion, or 1.9 percent of GDP, compared to SKK 15 billion, or 2 percent of GDP, in 1999. The general government deficit is projected to reach SKK 28 billion, or 3 percent of GDP. However, the latter number may well increase; Parliament recently approved a pension hike of 10 percent, rather than the expected 7 percent. In addition, the government approved SKK 5.9 billion for the agricultural sector, which was hit hard by May-July droughts.

2.6 Foreign exchange

The Slovak crown is convertible for current account purposes. The National Bank of Slovakia abandoned a fixed exchange regime on October 1, 1998, and allowed the crown to float. Recently, the crown traded at 43 relative to the Euro and has been relatively stable since the beginning of 2000, although it is down about 18 percent since the central bank abandoned the peg. The all-time low against the Euro was 47.500 in May 1999, before the government adopted a new package of austerity measures. The low toward the US dollar was reached in May, 2000, at 48.200 SKK/USD, but the rate has returned to about 45 SKK/USD, down some 30 percent since the float. Along with other Central European currencies, the crown has reflected the sharp depreciation of the Euro towards the dollar.

2.7 Foreign trade

For the first half of 2000, Slovakia's foreign trade deficit stood at SKK 10.1 billion, or 2.4 percent of projected GDP on an annualized basis, down 65 percent over last year's SKK 27 billion gap for the same period. Exports of good and services grew at a spectacular rate of 30.9 percent over 1999, to SKK 258.4 billion, compared to a 19.6 percent increase in imports, to SKK 268.5 billion. In April 2000, Slovakia recorded its first monthly surplus since 1995, at SKK 1 billion. Analysts expect the current account deficit to stabilize at around 4 percent of GDP in the second half of 2000, as imports of capital goods increase, real wages grow and the import surcharge falls to 3 percent as of July 1, 2000. This would compare favorably to the 1999 level of 5.7 percent.

Foreign trade turnover (imports plus exports) of the Slovak Republic increased from SKK 426.2 billion in 1994 to SKK 890.3 billion in 1999, or by 109 percent. Trade with OECD countries, which remained stable as a percentage of total turnover over the last five years at 80 percent, increased to 85 percent last year. Trade with EU countries has been more dynamic, rising to 55.4 percent of foreign trade turnover last year, up from 34.2 percent in 1994. Almost 92 percent of exports went to OECD countries in 1999, while imports from them reached 81 percent. Slovakia's largest trade partners are Germany (26.16 percent of imports and 27.67 percent of exports), the Czech Republic (16.67 percent and 18.08 percent, respectively), Russia (11.97 percent and 1.1 percent) and Italy (7.09 percent and 8.83 percent).

2.8 Foreign economic relations

As a part of the former Czechoslovakia, the Slovak Republic was a founding member of the World Trade Organization (WTO). Slovakia is a member of the Central European Free Trade Agreement (CEFTA). In addition, the Czech and Slovak Republics created a customs union after the split of the Czech and Slovak Federative Republic.

In 1998, for political reasons, Slovakia was excluded from the first wave of candidates for accession to the European Union (EU), but it enjoyed tariff and other privileges of an associate member of the EU. The new government that took office in October 1998 has declared EU accession to be one of its highest priorities, and it has mounted a campaign to join the first group of potential new members. In December 1999, the European Council decided to begin bilateral negotiations with Slovakia on the conditions for its entry into the Union. Slovakia began accession negotiations in March 2000 in eight chapters of the acquis communautaire: joint foreign and security policy; external relations; economic competition; small and medium enterprises; education; science and research; culture and audiovisual policy; and statistics.

In addition, the Dzurinda government has worked hard to meet the requirements for OECD membership. On April 27, the OECD Committees on Capital Movements and Invisible Transactions and on Investment and Multinational Enterprises concluded that Slovakia was ready to meet the technical obligations of the codes of liberalization, and on July 28 the OECD Council extended an invitation to Slovakia to join the organization. Formal accession procedures should be completed by November 1.

2.9 Privatization

The Meciar government by law barred privatization of "strategic" companies, including natural monopolies, defense firms, banks, and a few other companies. The Dzurinda government, recognizing the need to introduce more market-oriented management to these firms, changed course. On September 14, 1999, Parliament approved legislation that permits the complete privatization of most such companies, and the sale of a 49 percent holding in the natural gas distributor, the oil pipeline operator, the power company, regional electricity distributors and water companies. The state must retain ownership of the postal monopoly, water supplies, rail rights of way, and forestry assets.

The fixed-line national telecommunications monopoly, Slovak Telecommunications, was the first important property to be privatized. On July 18, 2000, the Dzurinda government signed a contract selling a 51 percent stake to Deutsche Telekom, with an option to acquire a further 34 percent after the company’s monopoly on public voice service expires at the end of 2002. The government plans to sell 15 percent held by the National Property Fund through the Bratislava Stock Exchange or a foreign exchange.

The government also expects to offer as much as 49 percent in the Slovak Gas Company, in a tender that will begin in October, 2000, and up to 49 percent in Transpetrol, operator of the pipeline transporting Russian crude through Slovakia. The Transpetrol sale would take place through the sale of 34 percent to a strategic investor, and 15 percent, in an initial public offer; it should be completed in the first quarter of 2001.

However, sale of a stake in the Slovak Power Company (Slovenske Elektrarne) will be delayed while the Ministry of Economy reviews restructuring options. One possibility would retain ownership of the high-voltage transmission network and nuclear and hydroelectric generating assets, while privatizing conventional generating stations. The government also plans to sell a 49 percent stake in the three regional electricity distribution companies. District heating plants, which are ideal candidates for replacement by combined cycle plants, will be sold separately.

Furthermore, the Economy Ministry announced it will launch an initial public offer for 36 percent in one of Slovakia's two mobile network operators (holding both 900 and 1,800 MHz license), Globtel GSM, at the Bratislava Stock Exchange and simultaneously at a yet undisclosed foreign stock exchange.

The government is actively seeking to sell banks that cover about 45 percent of the sector's assets, including Vseobecna Uverova Banka, Investicna a Rozvojova Banka, Slovenska Sporitelna, and Banka Slovakia. In addition, it wants to sell a large stake in insuror Slovenska Poistovna, which still holds a monopoly on auto liability insurance, in 2001. (For details, see Financial Sector.)

The National Property Fund (NPF) intends to sell a 97 percent stake in national port and maritime company Slovenska Plavba and Pristavy; a 92.16 percent stake in a large spa company in Piestany (assets of SKK 1.51 billion); an 84.44 percent stake in salt producer Solivary Presov, and a 73.86 percent stake in aluminum producer Zavod SNP (assets of SKK 5.789 billion). The NPF also wants to offer 41 percent in chemical producer NCHZ Novaky. The ownership of chemical producer Istrochem, claimed by the National Property Fund, is still a matter of dispute in the courts.

The Health Ministry plans to sell a 61 percent stake in Imuna Sarisske Michalany, which produces plasma and infusion products, and Medika, a wholesaler of medical supplies.

2.10 Foreign debt

Slovakia's net foreign indebtedness - expressed as the difference between gross foreign debt (including liabilities of the government and the central bank, commercial banks and the corporate sector), and foreign assets (foreign exchange reserves of the NBS, foreign assets of commercial banks and the corporate sector), reached USD 4.4 billion as of December 31, 1999, up from USD 4.2 billion at the beginning of 1999.

Gross foreign indebtedness fell to USD 10.474 billion last year, from USD 11.8 billion in 1998. This trend was the result of a policy change by the National Bank of Slovakia, effective April 1, 1999, canceling a rule that required commercial banks to hedge their foreign exchange liabilities. Since banks had artificially inflated their balance sheets to comply with the rule, the decline in gross debt and assets was expected. Foreign assets totaled USD 6.1 billion at the close of 1999, down from USD 7.7 billion in 1998.

The official indebtedness of the Slovak government and the central bank was USD 2.547 billion (USD 2.407 billion in 1998) at the end of the year. However, government debt statistics do not reflect guarantees issued on some hard currency borrowings by state-owned enterprises, such as the railroad, and on some corporate borrowings. The debt of municipalities increased last year, to USD 64 million from USD 56 million. The indebtedness of the corporate sector and commercial banks reached USD 7.654 billion (including foreign liabilities to non-residents), down from USD 9.293 billion in 1998.

Gross debt per capita reached USD 1,944 at the end of 1999, compared to USD 2,191 a year earlier or USD 1,867 in 1997.

Slovak long-term sovereign credit ratings are triple 'B'- plus for local currency and double 'B'- plus for foreign currency from Standard & Poor's, while the foreign currency long-term senior unsecured debt is rated double 'B' - plus. Neither foreign currency rating is investment grade. The agency revised its outlook for Slovakia to stable from negative in 1999. Moody's Investors Service changed its rating outlook for the Slovakia's Ba1 ceiling for foreign currency bonds and Ba2 ceiling for foreign currency bank deposits in 1999 as well, to "stable" from "negative".

2.11 Inflation

Slovakia's consumer price index reached 14.2 percent growth year-on-year at the close of 1999, up from 5.6 percent in 1998. For the year 1999 on average, consumer prices increased by 10.6 percent, while the average 1998 inflation was 6.7 percent. The Dzurinda government has been steadily raising regulated prices, pushing the consumer price index up sharply. Prior to 1998, Slovakia had been very successful in controlling inflation, but that success reflected both the fixed exchange rate and artificially low prices for electricity, gas, postage, transport, and other public goods.

Slovakia's headline consumer price index gained 0.3 percent in May 2000 but declined 0.1 percent in June, pushing the annual inflation year on year to 16 percent at the end of June. However, core inflation (net of increases in regulated prices and indirect taxes) has been more moderate, at 5.8 percent in the year ending in June. Rising crude oil prices have affected producer prices; however, a persistent decline in food prices has offset this pressure. With exports rising, a strong Slovak crown was being looked upon increasingly as useful in controlling inflation. The year 2000 core inflation target was set by the central bank at 4.5-5.8 percent. Central bank officials are increasingly confident that year-end 2000 growth in consumer prices will be under 10 percent.

2.12 Capital markets

The year 1999 was difficult for capital markets, with lethargic trading activity on the Bratislava Stock Exchange (BSSE) reflecting Slovakia's overall economic situation. Total 1999 trading volume on the BSSE, both over the counter and direct trades of bonds and equities, fell to SKK 188.4 billion, down 37.0 percent over 1998. However, volume picked up in the first half of 2000, to SKK 127.6 billion, up 28.5 percent over the first half of 1999. For 1999, the volume of floor trades (price-making transactions) went up by 22.5 percent over 1998 to SKK 27.7 billion, due to higher activity in bonds, pushing annual volume to a high in the history of the Stock Exchange. Over-the-counter (direct) trades amounted to SKK 160.7 billion, a year-to-year decrease of 41.9 percent. This trend was reversed in the first half of 2000, with floor trades down 4.9 percent and over-the-counter transactions up by 33.7 percent. Foreign entities recorded a 28 percent share in total turnover in 1999, increasing their share to 37 percent in the first half of 2000.

Slovakia's share index, the SAX, remained under its starting value of 100 points during 1999, declining to 77.46 at year-end. Low volumes resulted in considerable price fluctuation for individual issues. The SAX opened the first trading day of 1999 at 94.00 points and achieved its year high of 96.88 on January 14 thanks to the appreciation of Slovnaft and Slovakofarma. The index recorded its historic low of 73.62 points on May 7, 1999. After the May presidential election, there was a short revival of trading due to the interest of foreign investors, and the SAX managed to remain over the 90-point level for a few days. However, its value moved downward by the end of June. After a few fluctuations in the following months, the SAX closed the end of the year at 77.07, down 18 points. For 2000, the index rose to its six-month high of 88.48 on April 19, before declining to 73.66 at the half, down 4.42 percent over the period.

The BSSE can handle trades of 830 share issues, including 11 issues on the listed securities market, 33 on the registered securities market, and 786 on the over the counter market. The listing of shares of VSZ (Eastern Slovak Ironworks) was suspended in 1999 due to the non-fulfillment of obligations, and the listing of Plastika Nitra was canceled at the end of 1999 at the issuer's request. The SAX base was revised at the end of January 1999, when the companies Drôtovna Hlohovec, Váhostav and Povazské Strojárne were replaced by issues from Grafobal, Chemolak and Slovenské Lodenice.

The total volume of bond transactions for 1999 amounted to SKK 168.2 billion, rising to SKK 115 billion during the first half of 2000. Traditionally, the highest demand was for government bonds. The portfolio of government bonds in the SDX recorded an average price of 148.159 percent at the end of 1999, with an average yield of 15.24 percent and duration of 0.8 years. The SDX component for government bonds closed the first half of 2000 at 161.81 percent of nominal value with an 11.67 percent yield and an average duration of 1.26 years. The SDX bond index component for bank bonds and corporate bonds closed the last trading day of 1999 with a 16.6 percent increase at the average value of 148.445 percent of the nominal of its portfolio, having a 15.98 percent average yield to maturity and duration of 1.4 years. For the first half of 2000, the corporate and bank index closed at 159.97 percent of nominal value of its portfolio with a 14.13 percent average yield and an average duration of 1.18 years.

At the end of the year, it was possible to trade 137 bond issues on the three exchange markets, including 60 issues on the listed securities market, 58 issues on the registered securities market, and 19 issues on the free market. Apart from several issues of Eurobonds, the inability of Slovak companies to float new debt was evident during 1999, when only one new corporate bond in the nominal value of SKK 0.1 billion was traded. The real activity was on the government side, with the Finance Ministry refinancing its activities through 34 new issues of government bonds in the amount of SKK 61.2 billion. In comparison with the year 1998, average auction yields decreased to 15.393-18.975 percent. In the first six months of 2000, the Finance Ministry carried out 14 successful primary auctions, with average yields between 8.128 percent and 13.529 percent, adding to the SDX index bonds with a nominal value of SKK 46.61 billion.

The market value of all debt issues on the BSSE totaled SKK 113.8 billion at the end of December 1999, down 5.2 percent on average since the end of 1998, while the listed bonds recorded the same average year decrease to SKK 98.6 billion. For the first half of

2000, total bond market capitalization increased by 12.68 percent to SKK 128.19 billion; listed issues were down by 15.07 percent to SKK 113.76 billion.

Several legislative changes related to the capital market were approved in the course of the year as Slovakia harmonizes its laws with EU norms. The income tax law was amended, effective April 1, 1999, to permit the inclusion of the purchase price of securities to the full extent of costs on the condition that the purchase price and revenue from sale do not differ by more than 10 percent from the average stock-market price on the day of trade. Bearer shares in their physical form were canceled as of August 1, 1999, by an amendment to the securities law and the Commercial Code. Such shares now must be issued only as book-entry shares, with information about the holder registered in the Securities Center of the Slovak Republic. And finally, the new Act on Collective Investment came into force as of January 1, 2000. The law promotes open-ended mutual funds, and significantly increases capital requirements for management companies as a way to limit the deposit-collecting activity of non-banking institutions. It strengthens depository requirements for such funds, as well. It sets new standards for valuation of holdings aimed at preventing overvaluation of illiquid assets and enhances protection of individual investors. A legislative proposal now awaiting action in Parliament would create an independent regulatory office to supervise Slovak financial markets, including insurance companies.

(Note: this summary is based on material provided by the Bratislava Stock Exchange, via website address: www.bsse.sk)

2.13 Labor market

Unemployment in Slovakia has increased sharply from the beginning of the economic transformation, to 19.1 percent for June 2000. The rate declined slightly in early 2000 but now is rising as recent graduates join the work force. Unemployment measured as share of the workforce unemployed and available for work, increased by some 3 percentage points during 1999, from 16.3 in January to 19.53 in January, 2000. To some extent, high unemployment is explained by the sharp recession that hit the defense industry, previously a major employer in the Slovak Republic. Because many defense companies were in more remote regions of Slovakia, unemployment varies significantly across regions. Joblessness in some areas is higher than 30 percent, but in Bratislava, only 6.9 percent. Long-term unemployment has also been very high. The average length of unemployment reached 15.27 months as of May 31, 2000. (Note: Three different unemployment statistics are used in the Slovak Republic. We have used the "registered" rate calculated by the National Labor Office; the Statistical Office also publishes a quarterly rate.)

2.14 Principal Growth Sectors

Principal growth sectors in Slovakia include infrastructure, information technology, pharmaceuticals, industrial equipment, audiovisual equipment and services, chemicals, business services and tourism.

2.15 Government Role in the Economy

The private sector accounts for slightly more than 80 percent of GDP according to official figures, among the highest such figures in Central and Eastern Europe. However, taxes are quite heavy. Although the corporate tax rate was lowered last year from 40 to 29 percent, employers and employees pay a combined payroll deduction of 50 percent of wages to support the pension, unemployment and health funds. The government provides some indirect subsidies to industry, in the form of loan guarantees and by permitting many companies to incur large arrears in contributions to the pension and other public funds. The government also transfers about 1 percent of the national budget to local governments. The Ministry of Finance still sets many prices, including the price of energy to consumers. Parliament established an independent regulator for telecommunications, effective July 1, and a similar institution will be established by January 1, 2001, to regulate other natural monopolies. The government still controls several major banks and natural monopolies.

2.16 Balance of Payments Situation

At the end of 1999, the current account of the balance of payments showed a deficit of SKK 44.8 billion (USD 1.1 billion), or 5.7 percent of GDP, down 40 percent from SKK 74.8 billion, or 10.1 percent of GDP, in 1998. The improvement was due primarily to a reduction in the trade deficit and an improvement in the balance of services, which recorded a surplus of SKK 6.2 billion, up from SKK 0.7 billion in 1998. The deficit on the income account increased to SKK 12.481 billion, more than twice the 1998 level of SKK 5.42 billion in 1998; the surplus of current transfers diminished to SKK 7.150 billion, down 45 percent from SKK 12.94 in 1998. The improved result on services was driven chiefly by the transport sector, which tallied a surplus of SKK 13 billion, vs. SKK 11.4 billion in 1998, and by the travel sector with a surplus of SKK 5 billion, a significant improvement over last year’s SKK 0.5 billion.

The overall balance of payments returned to surplus for 1999, at SKK 30.137 billion (USD 720.5 million). The current account deficit was offset by an SKK 75.740 billion (USD 1.795 billion) surplus in the capital and financial accounts. This is mainly a consequence of the inflow of funds from Slovakia’s Eurobond issue (EUR 500 million, or SKK 22 billion) and from the sale of the Slovak stake in the Czechoslovenska Obchodna Banka (SKK 17 billion), not from an increased inflow of foreign direct investment. In 1998, the balance of payments was in deficit (SKK 19.543 billion) for the first time since Slovakia’s independence in 1993.

Official reserves of the National Bank of Slovakia increased to USD 4.5 billion, or approximately four months of import coverage, in July, 2000.

2.17 Infrastructure

Highways: Slovakia has a good network of roads, but only two-lane highway or local roads cover most of the country. Only the distance between Bratislava and Trencin, Bratislava and the Czech and Austrian border, Bratislava and Nitra, and short stretches near Liptovsky Mikulas and Kosice are covered by multi-lane highways, totaling 450 km. Overall, there is 36,000 km of paved road. The Government intends to build an extensive network of new roads, including 660 km of multilane highway, by 2005.

Railways: Slovakia has 3,665 km of standard-gauge track; all large and medium cities are linked by rail. There is an additional 158 km of narrow- and broad-gauge track. Approximately 70 million passengers and 50 million tons of goods are transported annually. Plans call for modernization of the rail network and upgrading of track to increase speed to 140 km/hr (120 km/hr in mountainous areas). Among the major long-term development projects is modernization of the Bratislava-Zilina-Kosice connection (USD 1.2 billion).

Air: Slovakia’s major airport is located in Bratislava, although many business travelers use Vienna’s Schwechat airport, only 40 km from Bratislava. Other airports are in Kosice, Poprad, and Sliac (near Zvolen). Domestic air travel is difficult, although there is no regular daily service between Bratislava and Kosice. Travelors also can fly directly to Kosice from Schwechat. Partly because of Bratislava’s proximity to Vienna (60 km), there are few international flights to Bratislava.

Telecommunications: Slovakia has 1.54 million telephone lines installed, or 29 lines per 100 persons. Much of the equipment has been modernized, and work has been done on installation of a digital overlay network. The government’s goal is to install a half-million lines per year to reach a penetration rate of 35 per 100 by 2001. The mobile NMT and GSM telephone network has over 780,000 subscribers and is growing extremely rapidly; fierce competition between the two providers has kept prices low.

Utilities: The Slovak market for electric power generation is small compared to other Central European countries. Slovakia’s total installed generating capacity in 1999 was 6,787 MW. In 1999, 52.27 percent of the production of 32,943 GWH of electricity in Slovakia was obtained from nuclear power stations, 28.37 percent from fossil fuels, 19.36 percent from hydro stations and 8.5 percent from industrial power sources. Imports were 15.33 percent of consumption, but 15.46 percent was exported. Domestic sources of fossil fuels supplied 11 percent of Slovakia’s requirements, the remaining 89 percent was imported, mainly from Russia. Expectations for electricity consumption over the next three years vary from 4 to 7 TWH.

The nuclear plant at Jaslovske Bohunice is of a Russian design considered inherently unsafe by nuclear experts, but it has been extensively upgraded and is considered both by the International Atomic Energy Agency and the Slovak Nuclear Regulatory Commission to be safe. Slovakia has agreed in negotiations with the EU to shut down Bohunice’s two oldest reactors in 2005-2006. The first unit of the new nuclear power station at Mochovce came on line in late 1998, and the second reactor came on line in 1999. There is significant opposition to these nuclear plants in neighboring Austria, where the environmental movement is very influential.

3 POLITICAL ENVIRONMENT

3.1 Major Political Issues Affecting the Business Climate

The September 1998 parliamentary elections resulted in a coalition government led by Prime Minister Mikulas Dzurinda that is committed to democracy and market reform. The Dzurinda government has declared its main goals to be the return of Slovakia to the rule of law, economic stabilization, a more responsive approach to citizens' problems, a reduction in organized crime and official corruption, and integration into Euro-Atlantic structures. Slovakia held its first direct presidential elections in May 1999 and was invited in December to begin EU accession negotiations.

The Dzurinda government has improved relations with minority groups. Hungarian parties are represented in the coalition government, and a Hungarian, Pal Csaky, is the Deputy Minister for Human Rights and Minorities. Parliament passed a law in 1999 governing the use of minority languages that was deemed a significant step forward by the OSCE expert on minority issues, Max Van Der Stoel. Although discrimination against Roma is still pervasive, the government has initiated its own action plan as well as a joint initiative with the Czech Republic to address this problem.

The governing coalition has had numerous internal conflicts due to the wide spectrum of political views represented in the government. Nevertheless, they have continued to implement economic and political reforms such as privatization of the state-owned telecommunications monopoly and passage of a sweeping Freedom of Information Act. Despite constant tensions, and occasional dramatic disagreements, the coalition partners appear to place higher priority on the preserving the government than on their individual interests.

The new government is investigating numerous officials who allegedly committed crimes during the previous regime. Former Slovak intelligence (SIS) director Ivan Lexa is still being investigated on charges that he and the intelligence service were directly involved in the abduction of the former president's son, Michal Kovac Jr., in 1995. Several other former SIS officers are being investigated in connection with the same crime. Former Interior Minister Gustav Krajci was charged for thwarting the May 1997 referendum, but a district court has ruled that the amnesty he received from former Prime Minister Meciar will shield him from prosecution. With his newly assumed presidential powers, PM Dzurinda cancelled the amnesties granted by former PM Meciar pardoning those involved in the 1995 kidnapping and the May 1997 obstruction of the referendum mentioned above. The Constitutional Court, however, ruled in July 1999 that Dzurinda did not have the right to cancel the amnesties.

Corruption and organized crime remain a significant problem, despite some government efforts to eliminate them. Slovakia has ratified the OECD anti-bribery convention, but still needs to ensure effective implementation of the law. The World Bank completed a survey of the scope and effects of corruption in Slovakia (see chapter 7), and the government has announced its own anti-corruption program.

3.2 Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties

Slovakia is a parliamentary democracy. The Prime Minister is the head of government and serves a four-year term; the president, a largely ceremonial office with limited powers, is the head of state and serves a five-year term.

Slovakia held parliamentary elections in September 1998, and a coalition government composed of the Slovak Democratic Coalition (SDK), Party of the Democratic Left (SDL), Party of Civic Understanding (SOP) and Party of the Hungarian Coalition (SMK) was able to defeat the previous government composed of the Movement for a Democratic Slovakia (HZDS), Slovak National Party (SNS) and the Association of Slovak Workers (ZRS). Election results gave the HZDS 43 seats in parliament, the SDK 42 seats, the SDL 23 seats, the SMK 15 seats, the SNS 14 seats and the SOP 13 seats.

The first direct presidential election held in May 1999 resulted in former Kosice Mayor Rudolf Schuster defeating former Prime Minister Vladimir Meciar by a margin of 57 to 43 percent. The next parliamentary elections are not scheduled until September 2002. Although opposition parties have been calling for early elections, it appears unlikely that the governing coalition will dissolve.

4 MARKETING U.S. PRODUCTS AND SERVICES

4.1 Distribution and Sales Channels

During Slovakia's first privatization wave, 98 percent of retail outlets were privatized. The retail sector consists mainly of small shops such as grocery stores, clothing stores, flower shops, music stores and book shops that are usually run by families. Single-product wholesale outlets existed in Slovakia before 1989, but the subsequent disintegration of this system caused a gap in the distribution network. It is not unusual for retailing and wholesaling to be combined, sometimes even together with manufacturing. Large-scale wholesale businesses are only now coming into existence.

The most significant marketing area in Slovakia is Bratislava and its surrounding area, followed by Kosice, Trencin, Zilina, Poprad and Nitra. Nitra is especially important for distribution of foodstuffs and agricultural products. The most developed distribution is in western Slovakia between Bratislava and Banska Bystrica. Slovakia's population density continuously decreases to the east.

The current trend is toward Western-style stores with a wide variety of products. The biggest chain department store is Tesco. The British company is one of the largest foreign investors in Slovakia (approximately $65.5 million), having taken over from Kmart and modernized a chain of Slovak stores. Tesco now is building a nationwide chain of hypermarkets. The Austrian supermarket chain Billa is expanding throughout the country. Other foreign chains in Slovakia include Baumax, Drogerie Markt and Delvita. Carrefour has very recently opened its first hypermarket in Bratislava. IKEA is the only significant furniture chain.

We expect that the arrival of large retail chains will force considerable consolidation or liquidation of smaller shops. This, too, could open possibilities for retail franchising, although most potential franchisees will need financial assistance.

4.2 Use of Agents/Distributors; Finding a Partner

The Slovak Commercial Code closely follows German and EU legislation. It recognizes agents, commission merchants, and brokers (who are not bound by contract).

There are a wide variety of import/export companies in Slovakia. They may be broadly divided between traditional foreign trade companies -- large organizations with know-how, capital resources and experienced personnel -- and newly established small companies, emerging to compete in a turbulent business environment.

Foreign business is very attractive for Slovak entrepreneurs. A good and common way to find a local representative is to advertise in a newspaper.
When choosing an agent/partner, it may help to bear in mind the advantages of larger, well-established companies. Smaller companies often lack capital resources, although this should be treated on a case-by-case basis.

The U.S. Department of Commerce's Commercial Service provides Gold Key and Agent/Distributor Services to American companies seeking potential business in Slovakia. The Agent Distributor Service (ADS) provides U.S. companies with a short list of pre-screened Slovak contacts who have expressed an interest in representing a U.S. firm, based on seeing the company's product literature. Our ADS fee is $250.00. The Gold Key Service takes this a step further by offering face-to-face appointments with Slovak contacts, when a representative from the U.S. firm visits Slovakia. The fee is $250.00 for the first business day of the visit (up to 6 appointments per day) and $150.00 for each additional day. This fee includes rental of conference room and securing of a hotel reservation. Interpreting, if necessary, must be paid directly by the U.S. firm. To obtain more information, please contact your local U.S. Department of Commerce Export Assistance Center or the Commercial Service in Bratislava, tel.: +421 7 5296 1079, fax: +421 7 5296 1085, email: bratislava.office.box@mail.doc.gov.

4.3 Franchising

Franchising in Slovakia is just beginning to grow and includes hotels, fast food operations, petrol stations, and business services. Slovak legislation is similar to EU legislation, but there is no Slovak legislation specific to franchising. Franchising agreements are treated as commercial contracts and regulated by the commercial code. American franchises in Slovakia are still limited but already include McDonalds and Pizza Hut. Some of the McDonald's restaurants are company-owned, others are franchises. Now may be a good time to get into the market, but franchisers should be prepared to offer creative financial options. Some of Slovakia's best prospects as entrepreneurs have few financial resources at this stage in the country's development.

4.4 Direct Marketing

Direct marketing exists in Slovakia, but legislation for consumer protection needs to be developed. Consumers have complained about unfair or misleading practices of some companies. Active direct marketers include Amway, Avon, Quelle, Herbalife, Oriflame, Lander, Mary Kay, Yves Rocher, Anthesis, etc.

4.5 Joint Ventures/Licensing

Legislation permits joint ventures and licensing. Licensing is less common than in Western countries. Licensing is governed by the Commercial Code.

4.6 Establishing an Office

Branch offices, joint-stock companies, limited liability companies, limited or unlimited partnerships, cooperatives, silent partnerships, and associations are all permissible under the Slovak Commercial Code. All entities must be registered in the Slovak Commercial Register.

The following procedures and documents are required for company registration: (a) lease contract for premises, (b) approval of the office/company's location by local authorities, (c) Slovak bank account, (d) trade authorization from the local trade authority, and (e) satisfaction of minimum capital requirements. In the case of offices headed by foreign nationals, a long-term residence permit is required.

The most common option for foreign companies is the limited liability company, because it is simplest to establish. One hundred percent foreign ownership and full repatriation of after-tax profits are allowed. One or more (up to fifty) shareholders may form a limited liability company (s.r.o.). Basic total capital must be at least 200,000 SK ($4,500) with minimum participant deposit of 30,000 SK each. A supervisory board is not required, but may be established. Non-monetary contributions must be valued by an official appraiser, and for certain contributions two appraisers are required. At least 30% of each partner's deposit and all non-monetary contributions must be paid up before the s.r.o. may be entered in the Commercial Register, with the total value of these deposits amounting to at least 100,000 Sk. If the s.r.o. is founded by a single entity, the foundation capital must be paid up in full. The process of handling an application for entry in the Commercial Register takes approximately 90 days.

4.7 Selling Factors/Techniques

Sunday shopping and round-the-clock shopping is permitted under Slovak law. The usual retail hours are from 9:00 a.m. to 6:00 p.m., excepting grocery stores which open at 6:00 a.m. and close at 6 or 7:00 p.m. Most stores close at 12:00 p.m. on Saturdays and are closed all day on Sundays. Chain stores are open seven days a week from 7:00 a.m. to 8:00 p.m., except for Slovakia's main holidays, such as Christmas and Easter.

Disposable income in Slovakia is much lower than in Western European countries, so price is a key competitive factor. Slovaks usually prefer buying Slovak products, especially in grocery stores, if there is a price advantage. Greater availability of foreign name brands, however, is gradually increasing the importance of quality in individual buying decisions.

Promotion techniques are slowly coming up to U.S. or West European standards, especially in the capital and larger towns. Consumer campaigns, special offers and discounts are common for chain stores. There are customer protection associations and funds, but promotion techniques (e.g., coupons, small gifts) are not generally regulated by law. However, consumer lotteries are regulated by the Ministry of Finance. Consumer lotteries could be provided by Slovak and/or foreign companies with no further capital restrictions. The only required condition is having registered the company in the Slovak Commercial Register. There is no tax on consumer lottery if the total annual amount invested is less than Skk 300,000. Consumer lottery above 300,000/annually (per company) is taxed by 15 percent.

4.8 Advertising and Trade Promotion

Many companies, both Slovak and foreign, specialize in advertising. They vary considerably in quality. The most commonly used media include newspapers, radio and television. Private radio stations offer advertising basically in all urban areas, e.g. Bratislava, Banska Bystrica, Nitra, Zilina, Poprad, Zvolen, Kosice etc. Use of billboards is significant, especially in cities and along main highways. Major newspapers and business journals include:

Narodna Obroda tel: +421 7 5933 6337, fax: +421 7 5933 6403, email: inzercia@narodnaobroda.sk

Pravda tel: +421 7 5292 3760, fax: +421 7 5063 4798, email: pravda@pravda.sk

SME tel: +421 7 5923 3240, fax: +421 7 5292 1372, email: redakcia@sme.sk

Hospodarske Noviny tel: +421 7 5296 2938, +421 7 5063 4666, email: inzercia@hnx.sk

Trend tel: +421 7 4341 1652, fax: +421 7 4333 1336, email: inzercia@trend.sk

Profit tel: + 421 7 5063 4570, fax: +421 7 5063 4586

The only English language newspaper is the Slovak Spectator (tel.: +421 7 5292 7650, fax: +421 7 5292 7654, email: slspect@vyvsme.sk). There are two state-owned television stations and two privately owned television stations (with extensive coverage) in Slovakia.

Posters are traditionally used for advertising in Slovakia. They can be found in post offices, telephone booths, public transportation, outdoor pillars, and along public routes. There is minimal formal consumer protection, but companies are well advised to incorporate ethical principles into advertising strategies, as Slovak consumers may object to advertising perceived to be unethical.

4.9 Product Pricing

The average per capita monthly income in Slovakia is $257. Slovakia is still a low to medium-priced country although prices and wages are gradually increasing. Price is a key consideration for most consumers.

There is a gap between prices in urban and rural areas that varies depending on products and services. Most food prices remain well below Western levels. In large cities, prices in some retail stores, especially for imported goods, may exceed those in the United States or Western Europe. Price liberalization began in 1991 and is defined by Act No. 526/1990 Coll. on Prices. Retail prices increased by 15.7% in the year ending June 30, 2000.

4.10 Sales Service/Customer Support

Foreign and domestic entities must provide post-sale services, especially for technical products. There is no legal requirement that a local company (registered in Slovakia) provide the service, but it must be able to arrange it for the customer either within Slovakia or abroad.

4.11 Selling to the Government

Slovakia (as a successor to Czechoslovakia) is a founding member of the General Agreement on Tariffs and Trade (GATT) and an original signatory to the World Trade Organization (WTO). The Slovak Government plans to join the WTO Agreement on Government Procurement by the end of 2002; complaints from U.S. bidders on Slovak government procurements have been few. Supplies of equipment to the Government are based on letter of invitation. The government approved a new, EU-consistent procurement law in 1999, and created an independent Office of Government Procurement.

4.12 Protecting Your Product from IPR Infringement

Slovakia is a successor to conventions signed by the former Czechoslovakia, e.g., the Bern, Paris, Stockholm, Madrid, Nice, Lisbon, Locarno, Washington, Strasbourg, and Budapest conventions. Slovak laws and regulations remain broadly similar to those inherited from Czechoslovakia and are compatible with Western European legislation. Slovakia is a member of the World Intellectual Property Organization (WIPO), but U.S. pharmaceutical companies have complained about patent infringement in Slovakia.

4.13 Need for a Local Attorney

A number of law firms in Slovakia are able to conduct business in English. Some Slovak firms are familiar with U.S. law, and a few U.S. firms have opened offices in Slovakia. More detailed information can be obtained from the Chamber of Commercial Lawyers of Slovakia (address: Farska 27/2, 010 01 Zilina; tel.: +421/89 5622647, fax: 5626915) and/or the Chamber of Advocates (address: Kolarska 4, 813 42 Bratislava; tel.: +421/7

52961536, fax: 52961554). U.S. companies seeking a list of English-speaking attorneys should contact the Commercial Service office in Bratislava.

5 LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

5.1 Best Prospects for Industrial Goods and Services

All figures are in millions of U.S. dollars unless otherwise stated. Our rank order of "Best Prospect" sectors was calculated net of exchange rate effects, and our 2000 estimates assume the Slovak economy bottomed near the beginning of the year. The Slovak Crown has depreciated considerably (about 30 percent) since October 1998.

Rank of Sector: 1
Name of Sector: Electrical Equipment
ITA Industry Code: CEL
HS Code: 85

Electrical equipment manufacturing grows every year, accompanied by demand for electronic components and for manufacturing equipment for electrical equipment. The number of domestic producers is increasing, the majority of them with foreign participation. There are local producers of consumer electronics, such as radios, VCRs, audio-visual equipment and electronic components, and their thirst for components should increase as the economy gets moving again. Opportunities exist for U.S. investors in production and assembly of electronic components.

USD millions	1998	1999	2000	Predicted
Total Market Size	1,360.4	1,162.1	1,224.0	
Total Local Production	771.4	805.0	812.0	
Total Exports	836.5	841.9	848.0	
Total Imports	1,425.5	1,199.0	1,260.0	
Imports from United States	66.3	44.7	57.2	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 2
Name of Sector: General Industrial Equipment
ITA Industry Code: GIE
HS Code: 84

Machines and equipment for all areas of industrial production are among the most sought after products. This is due to Slovakia’s industrial restructuring and modernization, which is likely to accelerate as the economy improves. There are good opportunities for U.S. firms in heating equipment (boilers, valves, etc.) and power generation and distribution equipment. U.S. companies can also successfully provide chemical technologies or equipment. There are good opportunities for U.S. investors, as a number of companies are seeking foreign partners and investment, and the Slovak Government continues to privatize firms in many sectors.

USD millions	1998	1999	2000	Predicted
Total Market Size	2,201.6	1,691.4	1,810.0	
Total Local Production	1,091.6	1,013.2	1,020.0	
Total Exports	880.6	1,037.0	960.0	
Total Imports	1,990.6	1,715.2	1,750.0	
Imports from United States	182.4	135.0	147.5	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 3
Name of Sector: Optical, Photo and Measuring Equipment
ITA Industry Code: OPT
HS Code: 90

Optical, photo and measuring equipment consumption has increased, but has become increasingly focused on "high tech" products. Slovak production has stagnated and most equipment is imported. New entrants will face strong competition from the same international competitors they see elsewhere. Even though the statistics show a decrease in imports from the United States, this market is growing. The decline likely was caused by the lower value of the Slovak Crown.

USD millions	1998	1999	2000	Predicted
Total Market Size	418.1	358.2	350.0	
Total Local Production	191.3	167.0	170.0	
Total Exports	90.6	73.0	75.0	
Total Imports	317.4	264.2	255.0	
Imports from United States	34.2	25.2	28.4	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 4
Name of Sector: Chemicals
ITA Industry Sector: CHM
HS Code: 29, 38

Consumption of chemicals is increasing steadily. Slovakia has traditionally been a producer of chemicals, but mostly of large volume commodity chemicals. U.S. specialty chemicals have found good customers in Slovakia. U.S. companies can also successfully compete by offering chemical technologies or equipment. There are opportunities for U.S. investors here, including the pending privatization of two major chemical producers.

USD millions	1998	1999	2000	Predicted
Total Market Size	1,142.9	982.7	1,000.0	
Total Local Production	1,068.5	908.2	930.0	
Total Export	327.2	264.2	280.0	
Total Imports	401.6	338.7	350.0	
Imports from United States	25.4	15.4	17.0	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 5
Name of Sector: Automotive
ITA Industry Code: AUT
HS Code: 87

The automotive sector is one of the fastest growing in Slovakia in recent years. Domestic automotive production significantly increased, improving prospects for parts suppliers. The market for new vehicles has suffered this year as real incomes dropped. There seems to be a thriving automotive aftermarket, and we suspect that there will be a growing market for garage equipment and diagnostic tools. There are opportunities for U.S. investors. A number of companies are also seeking U.S. partners for manufacturing.

USD millions	1998	1999	2000	Predicted
Total Market Size	1,790.7	1,466.0	1,500.0	
Total Local Production	2,171.4	2,147.5	2,200.0	
Total Exports	2,014.5	1,933.9	2,000.0	
Total Imports	1,633.8	1,252.4	1,300.0	
Imports from United States	9.9	6.4	8.0	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

Rank of Sector: 6
Name of Sector: Drugs and Pharmaceuticals
ITA Industry Code: DRG
HS Code: 30

We expect consumption of medicines to grow steadily over the next decade. This growth, however, could be interrupted or delayed by Slovakia’s current crisis in health care financing. The best selling drugs are antibiotics. Pharmaceuticals produced and branded by U.S. companies (whether sourced from the United States or elsewhere) have a strong position on the Slovak market. Statistics are scarce, but observation tells us that U.S. companies are among Slovakia's top suppliers, despite the fact that little flows directly from U.S. plants. The pending privatization of a state-owned blood and infusion products manufacturer provides investment opportunities.

USD millions	1998	1999	2000	Predicted
Total Market Size	549.8	602.7	578.0	
Total Local Production	320.0	350.0	330.0	
Total Exports	91.3	86.3	87.0	
Total Import	321.1	339.0	335.0	
Imports from United States	10.8	13.4	14.5	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

5.2 Best Prospects in Agricultural Trade

Name of Sector: Agriculture and Food Industry
ITA Industry Code: AGC
HS Code: N/A

1. Demand for high quality U.S. food products is expected to grow as a result of increasing numbers of hypermarkets and food-chain stores. Most U.S. high value food products are imported through European intermediaries rather than directly. Food additives, rice, pulses, nuts, dried fruits and whisky are the major food products imported to Slovakia from the United States.

2. Niche markets for value-added agriculture input products such as seeds (sunflower and corn seeds) or livestock genetic materials (e.g., bovine semen) have strengthened.

3. Import of feed nutrition ingredients (e.g., soybean meal) is one of the best prospects for development of U.S. agricultural sales in Slovakia.

USD millions	1998	1999	2000	Predicted
Total Market Size	2,051.9	2,146.2	2,200.0	
Total Local Production	1,952.9	1,818.3	1,900.0	
Total Exports	58.1	402.3	500.0	
Total Imports	157.1	730.2	800.0	
Imports from United States	9.5	9.8	10.0	
Exchange Rate (Sk/$)	35 Sk	40 Sk	44 Sk	

The above statistics are unofficial estimates. Source of statistics: Statistical Office

6 TRADE REGULATIONS AND STANDARDS

6.1 Free Trade Arrangements

European Union (EU)

Joining the EU has been a priority for Slovak foreign policy since the establishment of an independent Slovak Republic (SR) in 1993. The European Association Agreement between the SR and EU was signed on November 4, 1993 and entered into effect from February 1, 1995. Although political considerations had resulted in Slovakia falling behind its neighbors on EU accession, the EU responded to the overtures of the new Dzurinda government in December, 1999, by opening accession negotiations with Slovakia.

Central European Free Trade Agreement (CEFTA)

CEFTA was established in 1992 with other members including the Czech Republic, Hungary, Poland, Slovenia, Romania and Bulgaria. The goal of this trade group is to harmonize economic policy among members based on developing mutual trade through liberalization of trade relationships and removal of tariff barriers.

6.2 Trade Barriers: Tariff and Non-tariff

Customs Duties, taxes and other charges collected in connection with importation of goods

Foreign goods imported to the territory of the SR, in keeping with the customs regulations, are subject to customs inspection and imposition of customs duty, taxes and import charges. Import duties (as well as the import surcharge, excise duty and value added tax) are collected by customs offices after submission of customs declaration for release of these goods into the free circulation regime. All import charges are due within 10 days from notification by customs authority.

6.3 Tariff Rates

The Customs Act distinguishes three types of customs duties, which in turn influence the tariff rate used:
* general (autonomous),
* agreed (WTO members and bilateral commercial agreements),
* preferential (General System of Preferences or international agreements on customs union or free trade zone).

The criteria for determining these customs duties is the declaration of the origin of goods.

6.4 Customs Valuation

Slovakia is a member of the WTO and is bound by the GATT Agreement on Implementation of Article VII GATT 1994. In keeping with this, the basis for calculating the import duty is the customs value of the goods, including transportation costs and insurance from the point of loading to the border of the SR. The rules appear to provide a uniform and neutral system of valuation. Under Slovak legislation, customs valuation is specified by articles 20, 21, 22 and 28 of law No.618/1992 Coll.

6.5 Import Surcharge

There is no official policy for support of national products, but the Government is sensitive to the concerns of local producers whose existence is threatened by the pace of economic reform and the emergence of efficient competitors. On June 1, 1999, a 7% import surcharge was introduced and applied to about 80% of items in the Customs Tariff, with the exception of pharmaceutical products and selected raw materials and materials imported for intermediate consumption (further processing and re-processing), as a temporary measure to improve the balance of payments position of the SR. The import surcharge was decreased to 5% effective January 1, 2000, 3% effective July 1, 2000 and will go to zero on December 31, 2000.

Some foreign companies find the extraordinarily complex product certification requirement far more bothersome than the surcharge. Most products now must have an approval certificate stating that they meet Slovak product standards before the product can be cleared through Customs and allowed to enter Slovakia. Please see the section on product standards, below.

6.6 Value Added and Excise Taxes

The customs authorities collect customs duties and, simultaneously, are administrators of the value added tax for imports. The basic VAT rate is 23% and the decreased rate for specified goods and services is 10%. The import VAT is based on the total of the customs value of the goods + customs duty + import surcharge + excise duty (if applicable). There have been periodic proposals to lower the basic VAT to 22% and to raise the decreased rate to 12%.

Excise duties are imposed on spirits and alcoholic beverages, hydrocarbon fuels and lubricants and tobacco products. The SR does not impose export duties.

6.7 Licenses for import and export of goods

The licensing system is Slovakia’s primary non-tariff measure. The Ministry of Economy is authorized to issue import and export permits or licenses for sensitive goods with the objective of protecting the domestic market. The licensing procedure is governed by Regulation no. 15/1998 and amended Regulation no. 163/1999 on conditions for issuing official authorization for import/export of goods and services. These regulations also include individual lists of products subject to the licensing procedures. There are four specific licensing regimes:

a) Goods of a "classical nature" may be regulated by automatic and non-automatic (obligatory) licenses. Non-automatic import licenses are required for water, beer, black coal, brown coal, crude oil and natural gas. Automatic licenses are used for monitoring imports and as an early warning system of the need to introduce protection mechanisms. Export licenses are required for:

- protected goods (e.g., raw materials, objects of historical or cultural value)
- self-limited goods (such as textile goods exported to Norway, Canada and the United States, or metallurgical and agricultural products exported to the European Union) under annual quotas set by trading partners.

b) Extremely dangerous poisons, narcotics, psychotropic substances, precursors and additive chemical substances are subject to non-automatic licenses that may be issued upon written application of the Slovak importer/exporter of these goods. The license is not transferable.
c) Dual-use goods and technologies that can be used in military as well as civilian applications (Wassenaar system)
d) Weapons, ammunition, explosives, etc.

6.8 Certification and Standards

The Slovak Office of Standards, Metrology and Testing (OSMT) (www.normoff.gov.sk) is the central state body in the field of technical standardization and conformity assessment.

Slovak standards legislation is regulated by the Technical Requirements for Products and Conformity Assessment Act, which closely follows EU legislation. Conformity with Slovak technical standards is voluntary, except when specifically required by this Act or other technical regulation. Conformity to Slovak technical standards is only mandatory if there is direct reference to it in technical regulation. According to the law, importers or producers are responsible to assess the conformity of their product to technical requirements.

The Act sets up 11 categories of goods, a structure matching the EU classification. Approximately 95 percent of products fall into the first three modules, A, B and C. Producers or importers can declare conformance of products in category A without pre-market testing, while other modules require pre-market testing. The Directive on Technical Products temporarily moves a number of products, such as electrical equipment, chemicals, cosmetics, textiles, toys, machines and food products from module A into modules B + C and C.

The Slovak Government will gradually harmonize Slovak technical norms and legislation with EU legislation. As harmonization is implemented for a given product area, the affected products will be automatically moved into module A. The majority of the harmonization legislation should be approved by the end of year 2000.

6.9 Temporary Importation

Slovakia's Commercial Code provides for temporary importation with full or partial exemption from import duties, depending on the product. The temporary import regime allows for commercial use of foreign goods (which must remain in the ownership of the foreign entity), such as machinery and equipment, with the obligation to pay only part of the import charges proportional to the period of use in Slovakia. The customs duty to be paid is 3% for each month the goods are in Slovakia of the import charges, which would have been levied had the foreign goods passed into free circulation. The maximum period of temporary importation is 24 months and can be extended upon the customs broker's request.

Slovakia is a signatory of international customs agreements on ATA and TIR carnets, which allow for temporary import or transit of goods, without obligation upon the carnet holder to secure the customs debt and import charges in the country of transit or destination. The Slovak Chamber of Commerce and Industry is the national guarantee organization and executive body for ATA carnets. Cesmad Slovakia (Czech and Slovak Association for International Automobile Transportation) has the same responsibilities for TIR.

6.10 Re-entry of Goods; Warranty and Non-warranty Repairs

Slovak goods may be exported for processing or re-processing abroad, and then returned to the Slovak republic. Upon return, duties are applied only to the value added abroad. Special conditions apply to repairs, depending on whether or not the repairs are made gratis. Warranty repairs are readmitted free of duty, while other repairs are charged duty based on the cost of the repair. Exchanges may be made free of duty provided the exchanged goods are truly equivalent.

6.11 Labeling/Marking Requirements

Slovakia introduced its own system of labeling in 1995, replacing the old Czechoslovak system. Under a 1995 State Language Law, companies are required to mark contents of domestically produced or imported goods, product manuals, product guarantees, and other consumer-related information in Slovak.

6.12 Prohibited Imports

Import of some commodities and from certain countries are subject to regulation, such as monitoring procedures, voluntary restraint agreements, import declarations and certificate of origin requirements.

6.13 Free Trade Zones/Warehouses

The Customs Act distinguishes between public and private bonded customs warehouses. Any importer observing warehouse regulations can use public customs warehouses, which are usually located near the customs office and operated by the Government or by regional organizations Whether public or private customs warehouses are used, all import charges must be paid before goods are released into free circulation. The period for storing goods in the warehouse is not limited by the Customs Act.

7 INVESTMENT CLIMATE

7.1 Openness to Foreign Investment

Investment policy in the Slovak Republic has evolved toward far greater openness since the government of Prime Minister Dzurinda took office in October 1998. Although Slovakia never employed a formal screening process, the previous government of Prime Minister Meciar had greater reservations in practice than its predecessor. Some members of the Meciar government openly expressed concerns about foreign ownership of Slovak companies, and, in general, there was an unwritten preference for Slovak entrepreneurs in direct-sale privatization of companies. This approach was reflected in Slovakia's ranking in Central Europe as a destination for foreign investment; government statistics show that by the end of 1999, Slovakia had received only one-sixth of the cumulative investment per capita received by Hungary and the Czech Republic. The Dzurinda government appears to be serious about overcoming this gap and attracting more foreign investors.

The Meciar government had approved a highly restrictive set of investment incentives for which few companies qualified, and the Dzurinda government immediately set about liberalizing these conditions. Its first stimulus package, effective June, 1999, granted new foreign investors a five-year, 100 percent tax holiday for an investment of at least Euro 5 million, with a possible five-year extension. However, to qualify, investors were required to observe strict export requirements, restrictions on debt financing, and a re-investment requirement to obtain an additional five-year tax holiday. Following complaints, Parliament approved an amendment, effective January 1, 2000, which offered the tax holiday to any companies "that manufacture goods that were on the territory of the Slovak Republic only imported or were not manufactured or (for) the manufacture of goods for export." But this language left foreign investors uncertain about whether they would qualify.

Disappointed by FDI flows during 1999, the Dzurinda government went back to the drawing board. In May, 2000, the cabinet endorsed a three-part strategy that will substantially improve tax incentives, establish a new 'one-stop shop" to promote investment, and encourage cities to develop industrial parks. (Note: these provisions have not yet received approval by Parliament.)

Any company in which a foreign investor owns at least 75 percent would qualify for a 10-year, 100 percent income tax holiday, beginning with the first year of profitability. The threshold for a new investment to qualify would be cut from EUR 5 million to SKK 100 million (USD 2.2 million), or SKK 50 million where unemployment exceeds 10 percent (most of Slovakia). The export requirement was replaced by a less stringent condition, that at least 60 percent of revenue derive from production of goods or certain services, including tourism. More important, existing foreign companies could qualify if a new investment meets these criteria, in proportion with the percentage increase in the company's equity. The new proposals would drop the requirement to reinvest tax savings.

According to the Ministry of Finance, the package also, as of July 1, liberalized a duty exemption for capital goods by eliminating the condition that equipment be new.

The Dzurinda government also signaled its openness to foreign investment by rescinding the Meciar government's law on strategic privatization, which had prohibited privatization of a broad range of state-owned enterprises, including banks, an insurance company, natural monopolies in gas, power and telecommunications, and others. The new law permits complete privatization of most of these properties. It requires that the state retain a 51 percent share in the natural gas company, the power company, electricity distributors, and an oil pipeline; the state must retain ownership of the rail rights of way, postal monopoly, water supplies (but not suppliers) and forestry companies. The first major tender permitted by the new law, the sale of 51 percent of the telecommunications monopoly, ended with the selection of Deutsche Telecom as the company's new majority owner.

There are no preferential export or import policies affecting foreign investors.

Visitors to Slovakia staying more than 30 days are required to obtain residence permits prior to entering Slovakia. Please contact the Embassy of the Slovak Republic in Washington, D.C. (phone: 202-965-5160) or the nearest Slovak Embassy or Consulate for the specific requirements to obtain a residence permit. The law can cause delays of several months or more, and considerable extra effort for long-term residents in Slovakia.

7.2 Conversion and Transfer Policies

The Slovak crown (SKK or koruna) is fully convertible for current account transactions. On October 1, 1998, the Slovak Central Bank abandoned the peg (a basket consisting of 60 percent deutsch marks and 40 percent USD) and permitted the crown to float. Since then, the crown has depreciated about 20% against the former parity. As of August 2000, the exchange rate was approximately 45 SK to one dollar.

There are no difficulties in converting or transferring funds associated with an investment into a freely convertible currency. Very large transactions (over $50 million) may require advance notice to the National Bank of Slovakia (NBS). Foreign exchange operations are governed by the Foreign Exchange Act, amended in 1999, effective January 1, 2000.

Customs authorities must be notified if more than 150,000 Slovak crowns ($3,750) is being exported or imported, or if more than 20,000 crowns ($500) is being sent in the mail.

7.3 Expropriation and Compensation

There have been no expropriation cases in Slovakia. The constitution and the law, including the Commercial and Civil Codes, permit expropriation only in exceptional cases of public interest, and compensation must be provided. The law also provides for an appeal process.

7.4 Dispute Settlement

There have been no major investment disputes in Slovakia. Slovakia is not a member of the International Center for the Settlement of Investment Disputes (Washington Convention). Slovakia is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The legal system comprises 43 district courts, four regional courts, and a Supreme Court, all under the jurisdiction of the Ministry of Justice. In addition, there is a Constitutional Court independent of government control. Judges are appointed initially for four years and subsequently either re-appointed for life or removed from office. Once appointed for life, judges may be removed only for cause. (However, the Ministry of Justice controls promotions, assignments, budgets, and various privileges.) Constitutional Court judges are appointed by the President to a single, seven-year term. District courts are courts of first instance in most criminal cases and minor civil cases. Regional courts are courts of appeal, but also of first instance in major criminal and civil cases. The Supreme Court in Bratislava is the court of final review except for constitutional cases, which are under the exclusive jurisdiction of the Constitutional Court in Kosice.

Property and contractual rights are enforced within the legal structure, but decisions may take years, thus limiting the utility of the system for dispute resolution. Business circles also widely assume that corruption plays a part Slovak court proceedings. Slovak courts recognize and enforce foreign judgments, subject to the same delays. A bankruptcy law exists but has not been effective. However, several amendments that came into force August 1 should strengthen creditor rights.

Slovakia accepts binding international arbitration. The Slovak Chamber of Commerce and Industry has a Court of Arbitration for alternative dispute resolution; nearly all cases involve disputes between Slovak and foreign parties. Slovak domestic companies generally do not make use of arbitration clauses in contracts.

There are secured interests in immovable property, normally secured by physical possession of or conveyed title to the property in question until the loan is repaid. There is no system for registering security interests in moveable property. No mortgage law specifying the procedure for a foreclosure exists, and the inability to evict a residential tenant without providing alternative housing makes lending on the security of residential property impractical.

7.5 Performance Requirements/Incentives

There are no formal performance requirements for establishing, maintaining, or expanding foreign investments. However, there may be such requirements as conditions of specific negotiations for property involved in large-scale privatization by direct sale or public auction.

A five-year, 100 percent income tax credit, with an extra five-year extension possible, is available to foreign investors who invest Euro 5 million (or Euro 2.5 million in an area of high unemployment) into a facility that either manufactures a product that was only imported, that is not manufactured in Slovakia, or that is exported. At least 60 percent of the production must be exported, if that is the condition under which the investment would qualify. However, the government has drafted a proposal that would delete the export requirement and further liberalize the incentives. See the section, "Openness to Foreign Investment," for details.

The previous government had established domestic ownership requirements for telecommunications licenses, requiring that 60 percent of the license be held by a domestic company. This requirement has been abolished by the Dzurinda government.

However, there is still a requirement that 51 percent of broadcast companies be held by domestic investors.

7.6 Right to Private Ownership and Establishment

Foreign and domestic private entities are entitled to establish and own business enterprises and engage in remunerative activity in Slovakia. Businesses are able to contract directly with foreign entities. All Slovak obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia.

The Foreign Exchange Act stipulates conditions for foreign ownership of real estate. Foreign persons or business entities may own real estate in Slovakia only through establishment of a legally-registered Slovak company; foreign individuals cannot buy real estate. Exceptions to this rule apply to property acquired through restitution or large-scale privatization.

7.7 Protection of Property Rights

Property and contractual rights are enforced within the legal structure, but decisions may take years, thus limiting the utility of the system for dispute resolution. There is also a widespread conviction in business circles that corruption is a significant factor in the operation of the courts system.

Slovak courts recognize and enforce foreign judgments, subject to the same delays. The Commercial Code seems consistently applied. A bankruptcy law exists but has not been effective. However, several amendments that came into force August 1 should strengthen creditor rights.

Protection of intellectual property rights falls under the jurisdiction of two agencies. The Industrial Property Office has responsibility for most areas, while the Ministry of Culture is responsible for copyrights (including software). Slovakia is a founding member of the World Trade Organization (WTO) and succeeded to membership in the World Intellectual Property Organization (WIPO) upon the dissolution of Czechoslovakia. Slovakia adheres to major intellectual property agreements including the Bern Convention for Protection of Literary and Artistic Works, the Paris Convention for Protection of Industrial Property, and numerous other international agreements on design classification, registration of goods, appellations of origin, patents, etc. Patents, copyrights, trademarks and service marks, trade secrets, and semiconductor chip design appear adequately protected under Slovak law and practice. Slovakia expects to join the European Patent Convention by July 1, 2002, and in general aims to uphold European standards for protection of intellectual property.

However, pharmaceutical data at present is not adequately protected, although the government has pledged to remedy this situation. The WTO TRIPS agreement is legally in force in Slovakia, but there have been no cases brought to test actual enforcement.

7.8 Transparency of the Regulatory System

In general, transparency and predictability have been a problem on many issues involving investors. The process of obtaining residency permits for expatriate managers has been widely criticized as arbitrary and non-transparent. Investors also complain that the purchase of land and granting of building permits is a long, unpredictable process that can delay projects. In addition, the implementation of tax law is considered a problem, with the Ministry of Finance often unwilling to issue advisory opinions and the semi-independent Central Tax Administration (and its regional directors) adopting policies that may not be well-explained or consistent on a nationwide basis.

The Commercial Code and the 1991 Economic Competition Act govern competition policy in Slovakia, which generally follows the European Union pattern. The Anti-Monopoly Office is responsible for preventing noncompetitive situations.

The Slovak Parliament in 1999 adopted a new law on public procurement, which is harmonized with EU legislation. It seeks to uphold principles of transparency, non-discrimination and competitiveness. The law also created a new Office of Public Procurement to ensure effective supervision of the procurement process.

7.9 Efficient Capital Markets and Porfolio Investment

Export of capital and outward direct investment will be substantially liberalized following the imminent accession of the Slovak Republic to the OECD. The OECD Council issued the invitation on July 28, and accession could be completed by November 1. However, lifting of some restrictions on capital movements will be phased in.   For instance, residents that are not authorized foreign exchange entities will not be able to issue domestic securities on foreign markets until 2003. Deposits abroad by residents in domestic or foreign currency will not be liberalized until 2004. Other, inward transactions will be liberalized sooner; for instance, loans to residents by non-residents will be freed of restrictions after December 31, 2000.

Slovakia’s banking system does provide broad access to credit resources, although local companies often complain that banks are unreasonable both on the level of interest charges and the degree of security they require. The sector, at January 1, 2000, comprised 24 banks and two branches of foreign banks, but four domestic banks have been forced into merger or liquidation this year. The sector includes several foreign banks that engage in corporate lending: ING Barings, Citibank, Austrian-owned Tatra Banka and Ludova Banka, and others.

The two largest banks are government-owned: Slovenska Sporitelna has assets of SKK 173 billion (USD 3.8 billion), and Vseobecna Uverova Banka has assets of SKK 134 billion (USD 2.98 billion). The government plans to sell both, as well as third large government owned bank, to foreign investors by the end of 2001. The banks had carried very large proportions of bad loans, approximately SKK 100 billion, but these loans have been transferred to a government-owned debt resolution agency for sale or liquidation.

Slovakia's stock market is weak. The SAX index has declined steadily; foreign interest is low, in part because shareholder protections are weak in Slovakia. Activity on the corporate bond market has almost dried up.

7.10 Political Violence

There have been no reports of politically motivated damage to property, and civil disturbances are rare. There has been no violence directed toward foreign-owned companies. While not aimed at Americans, organized crime has been on the rise in Slovakia, and violence between rival organizations has resulted in fatalities at or near bars, restaurants and hotels in Bratislava.

7.11 Corruption

The Dzurinda government has proclaimed the fight against corruption a priority. The Government has drafted a National Program for the Fight against Corruption, appointed a corruption steering committee, amended the criminal code in attempts to strengthen law enforcement, and approved a law modernizing public procurement. The press has taken a more active role in condemning corruption, and public awareness has increased. The Slovak Chapter of Transparency International is active and has participated in some major public tenders. However, despite these steps, the public continues to perceive corruption as a significant problem and business leaders claim that corruption is endemic.

Slovakia is still considered one of the most corrupt Central European countries, ranking 59 out of 99 countries in a recent Transparency International Survey. A USAID-sponsored survey completed for the World Bank indicated that 92 percent of the population view corruption as a very serious problem, particularly in the health sector (62 percent), courts and legal system (58 percent), the police (50 percent), ministries (43 percent), customs offices (42 percent), and tax authorities (40 percent). Further, a survey commissioned by Embassy Bratislava's Office of Public Affairs indicated that 79 percent of Slovaks think that all officials participate in corrupt activities.

The U.S. provides two resident advisors in Bratislava from the Central and East European Law Initiative of the American Bar Association who are active in both law enforcement and legislative reform related to corruption. The USG also awarded a grant to Transparency International to carry out a campaign to promote public awareness of corruption.

7.12 Bilateral Investment Agreements

Slovakia has bilateral investment agreements with the following countries: Austria, Belgium, Bulgaria, Canada, China, Croatia, Cuba, Denmark, Egypt, the Federal Republic of Yugoslavia, Finland, France, Germany, Greece, Hungary, Indonesia, Israel, Italy, Latvia, Luxembourg, Malta, the Netherlands, North Korea, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkmenistan, Ukraine, United Kingdom, the United States, and Uzbekistan.

The Overseas Private Investment Corporation (OPIC), located in Washington, DC, has been active in Slovakia. OPIC offers U.S. investors insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. OPIC can provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Slovakia.

Slovakia is a member of the Multilateral Investment Guarantee Agency (MIGA).

7.13 Labor

Slovakia has a well-educated and skilled labor force of more than two million. Literacy in Slovakia is universal, and most workers are well educated and technically skilled. Overstaffing is still typical at many Slovak companies, especially larger and state-owned enterprises. Many professionals and bureaucrats are relatively poorly paid by U.S. standards. Slovakia has a relative shortage of workers with foreign language and Western-style management skills, and salaries for such workers are correspondingly high. Foreign companies frequently praise the motivation and abilities of younger workers, who often have good language and computer skills and have traveled in the United States or Europe.

The work week is standardized at 42.5 hours. The minimum wage is about $90 per month, but almost all workers earn more. Strikes have been rare, and fewer than 75 percent of Slovak employees belong to unions. Trade unions form one leg of the so-called "Tripartite Arrangement," along with the government and employers' associations. The unions generally have been tolerant of the costs imposed on labor by economic transformation, but a more aggressive union leadership has emerged that is more politically engaged and more active among its membership. This suggests that the unions may adopt a firmer line in the future.

Membership in, and payments to, Slovak social insurance is compulsory; the scheme includes health insurance, unemployment insurance, and a pension fund. Employees pay 12 percent of wages toward these costs, and employers contribute an additional 38 percent on behalf of each employee. The self-employed pay all contributions themselves (about 49 percent). Slovakia is a member of the ILO and adheres to the ILO Convention Protecting Worker Rights.

The average nominal monthly wage in 1999 was SKK 10,497 (USD 254), up from SKK 10,003 (USD 285) in 1998 (NOTE: The decline of dollar wages was caused by the depreciation of the crown against the dollar within the period; in 1998 the average SKK/USD rate was 35.2, while in 1999 it reached 42). Nominal wages rose 7.2 percent from 1998 to 1999; nominal wages were up 8.4 percent year to year by the end of the first quarter of 2000. Real wages increased declined 6.1 percent in 1999, as consumer price growth accelerated due to tariff increases for heat, water, rents, transport and energy. Despite significant gains in real wages in the previous years, real wages are still below 1989 levels.

7.14 Foreign Trade Zones/Free Ports

There is a 12-hectare free trade zone in Kosice. Plans exist for an expansion of the zone and for intensifying its cooperation with its Hungarian and Ukrainian neighbors. A second, larger free trade zone in Bratislava is also being planned. The existing zone is not a significant factor in the Slovak economy and has not played an important role in attracting foreign investment.

7.15 Foreign Direct Investment

Foreign direct investment in 1999 was SKK 12.5 billion (USD 277 million, valued at SKK 45/USD). The largest investor was Germany, (SKK 4.46 billion). Austria ranked second, with SKK 1.87 billion, the U.S., third, with SKK 1.34 billion, and Great Britain, fourth, with SKK 1.25 billion. The largest U.S. investor is U.S. Steel, which invested some USD 57 million in 1998 into a joint venture with Slovak steel mill VSZ (East Slovak Ironworks) producing tin plate. U.S. Steel is planning a larger investment, the purchase of the core steel assets of VSZ, and hopes to complete the deal by the end of August 2000.

Slovakia ranks way behind its Central European neighbors in FDI, according to government statistics. Cumulative, net FDI per capita, from 1994 through December 31, 1999, was USD 1,206 in the Czech Republic, USD 1,253 in Hungary, and USD 515 in Poland; in Slovakia, it was only USD 200.

Most of 1999 investment, 48.3 percent, went into industrial production; however, there was a big upswing in FDI in the trade sector, as multinationals such as British hypermarket operator Tesco, Belgian supermarket chain Delvita and other retailers widen their operations across Slovakia. About 77 percent of the investment went into the regions around Bratislava and neighboring Trnava, while only 5 percent went to the two easternmost regions around Kosice and Presov.

Important U.S. investors include USX (U.S. Steel), Emerson Electric, Philip Morris, Whirlpool, Johnson Controls, ON Semiconductor (formerly Motorola), Citibank, and IBM. (Some American companies -- e.g., Pepsi-Cola and Coca-Cola -- are registered under foreign subsidiaries and thus do not appear as U.S. investments in Slovak statistics.) The American Chamber of Commerce in Slovakia was founded in October, 1997 and has 160 members.

8 TRADE AND PROJECT FINANCING

8.1 Brief Description of Banking System

The Banking Act provides for universal banking wherein commercial banks carry out investment banking and brokerage activities as well as traditional commercial transactions and lending, subject to the issuance of a license by the National Bank. This system is based on a European (rather than U.S.) model. The National Bank controls application requirements, minimum capital and reserve requirements, and bank supervision.

Foreign banks can be established either as representative offices or as full-fledged branches. Representative offices may offer advice and inform clients of services through the parent bank, but may not perform services such as opening accounts or lending. Branches may handle any transactions authorized by the parent bank. The law requires that all foreign banks agree to take over the assets and liabilities if the branch experiences financial problems, effectively guaranteeing the financial health of the branch. Thus far, foreign banks in Slovakia have concentrated on providing international payment services and loans to foreign clients or Slovak companies which have extensive export business.

By mid-2000, there were 35 banks operating in Slovakia; 11 Slovak banks, 12 banks with foreign capital participation, two branch offices of foreign banks and 10 representative offices of foreign banks. Most commercial banks are registered as joint-stock companies. Most commercial banks have headquarters in Bratislava; a few are based in Zilina, Banska Bystrica or Kosice.

High interest rates and tough credit requirements restrict availability of bank credit, especially for small and medium size enterprises. EBRD loans and EU loan support programs for the banking sector may help facilitate financing for small and medium-sized enterprises. However, the Slovak-American Enterprise Fund, a financial institution endowed by the U.S. Congress, focuses on providing both credit and equity investments to small and medium sized enterprises, and Citibank also has a new program focusing on smaller companies.

The interbank payment system is based on the existence of a single clearing center, and according to law, all banks are obliged to carry out all their domestic payment transactions through this center. The clearing center is not an organizational unit of the central bank, but an independent legal entity -- a joint stock company set up by the banks. It is called the Slovak National Clearing Center. Its majority shareholder is the National Bank of Slovakia, the Ministry of Finance of SR owns one share, and commercial banks own the remaining shares.

Security of the interbank payment system in Slovakia is based on a high level of data protection at all stages of processing and settlement, both at Slovak National Clearing Center and National Bank of Slovakia. All participants in the interbank payment system of SR must have a backup facility for both data transfer and processing.

Most payments are made by credit transfer and collection. All transactions are processed in the same way, i.e. "large" as well as "small" payments. The system also processes check transactions. Processing and settlement of a credit transfer, from debiting the amount in the account of the payer in one bank to crediting the account of a payee at the other bank takes three days. In the case of a collection order, settlement proceeds only after a non-accounting collection call on the part of a payee and subsequent credit transfer by the bank of the payer, so the process may take up to five days.

8.2 Foreign Exchange Controls Affecting Trade

The Slovak Crown (Slovenska Koruna - SK) is internally convertible, and is fully convertible for current account transactions. All hard currency payments are made against an invoice if the Slovak company has enough funds to cover the transaction.

8.3 General Financing Availability

Normal commercial financing is possible in Slovakia but can be difficult to obtain for Slovak companies. American companies may wish to source financing from either Western banks outside of Slovakia or Western banks with offices in Slovakia. Large-scale project financing may be obtainable from multilateral lending institutions such as the European Bank for Reconstruction and Development (EBRD), International Finance Corporation (IFC), European Investment Bank (EIB), Overseas Private Investment Corporation (OPIC), etc. Other methods of financing include venture capital firms (e.g., Renaissance and Advent) based in Prague that are expanding portfolios to Slovakia. The Slovak-American Enterprise Fund, a U.S.-government controlled agency that was endowed by Congress, provides both equity and loans to medium sized enterprises.

8.4 How to Finance Exports/Methods of Payment

Slovakia has an Export Credit Insurance Corporation (SPE) which is licensed for the insurance of export credit contracts. SPE provides short, medium and long term coverage for Slovak exporters against commercial and political risk under the condition of at least 60 percent content of domestic production in the exported goods.

A state owned Export Import Bank (EXIMBANKA SR) was established by the Slovak Government in 1997 for support of export and import activities of exporters and importers by financing export credits, insuring export credits and financing import credits. Their web site is: www.eximbanka.sk

Methods of payment are similar to those in the West including payments in advance (including via Swift), letters of credit and bank guarantees.

8.5 Types of Available Export Financing and Insurance

Financing and insurance of exports, investment, and development projects may be possible through U.S. Government agencies such as the Trade Development Agency (TDA), the Export-Import (EXIM) Bank, and the Overseas Private Investment Corporation (OPIC).

Financing of agriculture sector is available through private commercial Agriculture bank (Polnobanka a.s.). State Support Fund offers investment credits and State Fund for Market Regulation offers price support and export subsidies. Agriculture sector is being financed also through warehouse receipt system by Polnobanka in co-operation with EBRD.

8.6 Project Financing Available

Project financing is available, including lending from multilateral institutions. Sources include:

- The Slovak American Enterprise Fund (SAEF), a U.S. Government-funded program designed to promote the development of the Slovak small and medium size private sector. The fund is used primarily for equity investments. Joint ventures with foreign companies are eligible but not required. Advisory assistance and trading are also provided to strengthen an enterprise's ability to achieve sustainable economic and employment growth while competing in a free market society. The contact at SAEF is Ms. Iveta Griacova, telephone: 421-7-52731317; fax: 5273 1323, or their web site is www.saef.sk.

- The European Investment Bank (EIB), which grants credits for protection of the environment, energy efficiency, travel and tourism industry. Projects specifically excluded from this financing include heavy industry and other industrial branches such as textiles, consumer electronics, and automobile parts. Their web site is: www.eib.org.

- Export-Import Bank of the United States, which grants short-term credits with repayment terms of 180 days and less, medium-term credits with repayment terms of 1 - 5 years and financed portion of less than or equal to $10 million and long-term credits for capital goods and related services, repayment terms of greater than 7 years or financed portion of greater than $10 million. Exim Bank also provides Letters of Interest for U.S. exporters. For more information please visit: www.exim.gov.

- A local EBRD office that is located in Bratislava, Grosslingova 4. Regional Director is Alexander Auboeck. Tel: + +421 7 52967835, fax: 52921459. Their web site is: www.ebrd.com

- International Finance Corporation, a member of the World Bank Group that offers long term loans, equity investment, guarantees and standby financing and risk management. Office location: Bratislava, Michalska 19, Director: Pavol Vajda, tel:+ 421 7 54414528, fax: 54414525.

8.7 List of Banks with Correspondent U.S. Banking Arrangements

Ludova Banka (through Volksbank of Vienna, Austria):

-- Citibank, NY
-- Chase Bank, NY
-- Bank of New York, NY
-- Bank of America, International, NY

Slovenska Sporitelna:

-- American Express Bank, NY
-- Bankers Trust, NY
-- Bank of America, NY
-- Citibank, NY
-- First Union National Bank
-- Bank of New York

-- Philadelphia National Bank
-- Chase Bank, NY

Tatra Banka (through Tatra Raiffeisen, Austria):
-- American Express Bank, NY
-- Bankers Trust, NY

Vseobecna Uverova Banka (VUB):
-- Citibank, NY
-- Chase Manhattan Bank, NY
-- Bank of America, NY
-- American Express Bank, NY
-- Bankers Trust Company, NY

Subsidiaries of U.S. banks in Slovakia:

American Express Ltd.
C/o Tatra banka
Vajanskeho nabrezie 5
810 11 Bratislava 111, Slovak republic
telephone: (421 7) 5967 1111, 6865 1111
fax: (421 7) 6865 1410324 760

Citibank (Slovakia) a.s.
Viedenska cesta 5 (Incheba bldg.)
852 51 Bratislava, Slovak Republic
telephone: (42/7) 68278 111
fax: (42/7) 68278 200

9 BUSINESS TRAVEL

9.1 Business Customs

Business practice and etiquette in the Slovak Republic is a cross between that of western Europe and the United States on the one hand, and eastern Europe and Russia on the other. Slovaks are generally well disposed towards Americans. While English as a business language is increasingly accepted in the Bratislava area, German is more common throughout the country. Russian is widely understood but may not always be welcomed. Many, but by no means all, Slovak companies have English speakers among their top managers; U.S. business representatives should be prepared to do business through interpreters and allow for the possibility of occasional misunderstandings.

Decision making in a company is often restricted to a very few, if not just one, person. Even relatively minor decisions may require the approval of a high level official. Appointments should be made well in advance with confirmations made prior to scheduled appointments.

Titles and positions (e.g., "Ing." for Engineer) are highly regarded and routinely appear on business cards.

The week is defined as in many European countries. The workweek runs Monday through Friday (40 working hours). Saturday and Sunday are days off for most workers.

Business people occasionally have difficulty in receiving replies to letter or fax correspondence. Often mail or faxes do not reach recipients in a timely manner. Business people are encouraged to follow up with correspondence to ensure contact with the intended recipients. The number of Slovak Internet users is growing steadily. Most companies are using email as a new way of communications.

Successful business in Slovakia generally requires the establishment of a good personal relationship and a feeling of mutual trust. Meetings with Slovak business representatives sometimes include a welcoming toast of an alcoholic beverage such as slivovica (plum brandy) or borovicka (similar to gin). General social conversation prior to business is the norm, and launching directly into business may impede the development of a good personal relationship with the Slovak business partner.

After initial meetings, written summaries of goals, objectives, and points of agreement or disagreement are encouraged to minimize misunderstandings between business parties.

9.2 Travel Advisory and Visas

There have been no travel advisories issued for the Slovak Republic. Americans are allowed to enter the country for 30 days on a tourist passport without a visa.

Individuals who wish to stay in Slovakia for longer than 30 days must submit an application for a long term stay permit (ziadost’ o vydanie povolenia na dlhodoby pobyt) to the Embassy of the Slovak Republic, Consular section, 2201 Wisconsin Ave., NW, Suite 250, Washington D.C. 20007 (Tel: 202-965-5160). Meeting the requirements of Slovak law to obtain a long-term stay permit can be a long, difficult process, with health and police checks, among other things, needed to complete the process. Slovak authorities have been repeatedly criticized for the length and non-transparency of this process. Permits are granted for not more than one year with the possibility of extension provided that an application for a renewal of the permit is submitted at least 14 days prior to the expiration of the valid permit. American companies with foreign representatives should contact the nearest Slovak embassy or consulate for further details.

9.3 Holidays

The following holidays will be observed in the Slovak Republic from January 1, 2001 to December 31, 2001:

January 1	Monday	Republic Day New Year(s Day
January 6	Saturday	Epiphany
April 13	Friday	Good Friday

April 16	Monday	Easter Monday
May 1	Tuesday	Labor Day
May 8	Tuesday	Slovak National Day
July 5	Thursday	St.Cyril & St.Methodius Day
August 29	Wednesday	Slovak National Uprising
September 1	Saturday	Slovak Constitution Day
September 15	Saturday	The Day of the Virgin Mary of the Seven Sorrows
November 1	Thursday	All Saints Day
December 24	Monday	Christmas Eve
December 25	Tuesday	Christmas Day
December 26	Wednesday	St. Stephen’s Day

9.4 Business Infrastructure

Transportation: Slovakia’s transportation system is well organized if somewhat old. Bratislava’s International Airport offers flights to Prague, Tel Aviv, Kuwait, Larnaca, Moscow, Munich and the second biggest Slovak city, Kosice. Most travelers prefer to use Vienna’s Schwechat airport and take the airport bus or automobile to Bratislava. Overland travel by train is reliable. Travel by automobile is also possible, although -- due to many narrow two-lane roads -- travelers often find that car travel can take longer than expected.

Slovakia imposes a "road user fee" for certain roads. The fee applies to all Slovaks and foreigners. The yearly fee varies with engine size. Engine sizes that are 1,600 cubic centimeters or less cost 400 Slovak crowns (approximately USD 10). Engines over 1,600 cc cost 800SK (approximately USD 20). Trucks and buses from 2,000 to 4,000 SK, depending on the weight (USD 50 - 100). Stickers can be purchased at border crossings, gas stations and post offices. If use of a rental car is planned, try to rent a vehicle that already has a sticker showing that the road fee has been paid.

Taxi service is readily available. Most drivers do not speak English, although certain taxi services do have dispatchers and many drivers who do speak some English. Potential difficulties may arise from the confusing system of multiple rates (based on distance, location, and how the taxi was called, whether by telephone or at a taxi stand). Foreigners should confirm a price in advance. It is advisable to call for taxis rather than catch them on the street, as radio-service companies are quite reliable. All major cities have trams and bus services that are convenient and inexpensive.

Telecommunications: Slovakia is upgrading its telecommunication system. Cellular GSM telephone service is commonly in use, with two major providers. The Slovak PTT provides ATM and ISDN services. Telex services are available, but not commonly used. Other data communication services (e-mail, Internet) are quickly expanding throughout the country as another form of communication.

Accommodations and food: Business accommodations are available, but limited. Hotel standards are generally lower than those of western Europe and the United States, though prices may be high in major cities. It is legal and not uncommon for foreigners to be charged a higher rate than Slovaks. The food is varied and of good quality, mixing Slovak, Austrian and Hungarian styles. Food prices in restaurants are generally not expensive, averaging about $5-15 per meal. Travelers to Slovakia should note that while major credit cards are increasingly accepted at major hotels and restaurants in Bratislava, acceptance lags in other parts of the country. Travelers should expect to pay for services in Slovak crowns.

Business travelers to Slovakia seeking appointments with our trade specialists in Bratislava should contact the Commercial Service, Grosslingova 35, 811 09 Bratislava, Slovakia, tel.: +421 7 5296 1079, fax: +421 7 5296 1085, email: bratislava.office.box@mail.doc.gov. Walk-in clients are welcome. However, we recommend arranging an appointment prior to departure from the United States to make sure the right specialist is available when you are in Slovakia.

10 APPENDIX

10.1 COUNTRY DATA

The source of this data is from the Statistical Office of the Slovak Republic:

Population:	5.4 million
Population growth rate:	0.4 percent
Religions:	Roman Catholic - 60 percent Slovak Evangelical - 6 percent Greek Catholic - 3 percent Other - 3 percent
Government System:	Parliamentary democracy
Language:	Slovak
Workweek:	42.5 hours

10.2 ECONOMY

	1998	1999	2000F****
Nominal GDP (USD billions)	20.4	18.9***	19.5
GDP Growth Rate	4.4	1.9	2.4
Nominal GDP per capita (USD)	3,779	3,487***	3,620
Government Spending (%GDP)	25.76	19.46	NA
Inflation (CPI, YoY, %)	5.6	14.2	8.8
Unemployment (%)**	13.8	17.5	18.6
Foreign Exchange Reserves (USD billions)	2.922	3.441	4.359
Average Exchange Rate (SKK/USD)	35.2	41.3	44.7
Foreign Debt (USD billions)	11.902	10.518	11.0

Debt Service Ratio (%)	NA	NA	NA
U.S. Assistance (USD millions)*	10.000	5.463	-

*	Total assistance since 1990 = USD 187,655,000
**	Unemployment measured by the National Labor Office as share of the workforce unemployed and available for work
***	The shortfall in absolute volume of nominal GDP between 1998 and 1999 in spite of the real GDP growth is due to depreciation in SKK rate that was used in conversions of currencies
****	Forecasts of ING Barings Bratislava

10.3 TRADE

	1998	1999*	2000**
TOTAL EXPORTS	10,679	10,226	12,881
TOTAL IMPORTS	12,794	11,332	13,726
U.S. EXPORTS	376,579	145,617	NA
U.S. IMPORTS	151,035	151,035	NA

IN USD MILLION

* Final numbers were partially distorted due to depreciation in SKK rate that was used in conversions of currencies
** Forecasts of ING Barings Bratislava, average 1999 SKK/USD rate used for conversions of currencies in 2000 forecast

10.4 INVESTMENT

Foreign Investment by Country of Origin (as of December 31, 1999)

	Share %	Million $
1. GERMANY	22	448.8
2. Austria	16.9	345.4
3. The Netherlands	15.0	305.7
4. USA	13.0	265.0
5. Great Britain	9.1	186.3

Foreign Investment by Economic Sector (as of December 31, 1999)

	Share %	Million $
1. Industrial production	49.1	1,002.8
2. Finance and Insurance	20.3	413.9
3. Wholesale and Retail Trade	18.7	381.7
4. Real Estate, Rental and Communication Services	3.5	71.4
5. Transport, Storage and		

Communications	3.1	63.7

10.5 UNITED STATES AND SLOVAK CONTACTS

10.5.1 Slovak Government Offices

Government of the Slovak Republic
Nam. slobody 1
813 70 Bratislava
Tel.:(421/7)5729 5111
Fax:(421/7)5249 7595
www.government.gov.sk
Prime Minister: Mikulas Dzurinda
Deputy Prime Minister for Economy: Ivan Miklos

Ministry for Administration and Privatization of National Property
Drienova 24
820 09 Bratislava
Tel.:(421/7) 4829 7111
Fax:(421/7) 4333 3335
www.privatiz.gov.sk
Minister: Maria Machova
State Secretary: Vladimir Drozda

Ministry of Agriculture
Dobrovicova 12
812 66 Bratislava
Tel.:(421/7)5926 6111, 5292 2150, 5296 1571
Fax:(421/7)5296 1834
Minister: Pavel Koncos
State Secretaries: Viktor Meszaros, Ivan Rosival

Ministry of Construction and Public Works
Spitalska 8
816 44 Bratislava
Tel.:(421/7) 5975 1111, 5975 3710
Fax:(421/7) 5293 1203, 5296 7054
www.build.gov.sk
Minister: Istvan Harna
State Secretaries: Roman Sipos, Peter Mattos

Ministry of the Environment
Nam. L. Stura 1
812 35 Bratislava
Tel.:(421/7) 5956 1111, 5956 2306
Fax:(421/7) 5956 2031, 5956 2438
www.lifeenv.gov.sk
Minister: Laszlo Miklos

State Secretary: Zdenka Tothova

Ministry of Economy
Mierova 19
827 15 Bratislava
Tel.:(421/7)4854 1111, 4333 4000, 4333 2041
Fax:(421/7)4333 7827, 4333 8604, 4342 3949
www.economy.gov.sk
Minister: Lubomir Harach
State Secretaries: Peter Brno, Jan Sabol

Ministry of Finance
Stefanovicova 5
811 05 Bratislava
Tel.:(421/7)5958 1111-2, 5958 2201, 5958 2247
Fax:(421/7)5249 3531
www.finance.gov.sk
Minister: Brigita Schmognerova
State Secretaries: Viliam Vaskovic, Vladimir Podstransky

Ministry of Foreign Affairs
Hlboka cesta 2
833 36 Bratislava
Tel.:(421/7)5978 1111, 5978 3001, 5978 3002
Fax:(421/7)5978 2213, 5978 3009
www.foreign.gov.sk
Minister: Eduard Kukan
State Secretaries: Jan Figel, Jaroslav Chlebo

Ministry of Transportation, Posts and Telecommunications
Nam. slobody 6
810 05 Bratislava
Tel.:(421/7)5949 4111, 5273 1438, 5557 7616
Fax:(421/7)5249 4794, 5273 1440
www.telecom.gov.sk
Minister: Jozef Macejko
State Secretaries: Dusan Faktor, Michal Balog

National Property Fund
Drienova 27
821 01 Bratislava
Tel.:(421/7)4827 1474
Fax:(421/7)4827 1484
President: Jozef Kojda

10.5.2 Other Organizations Useful to American Business

Embassy of the United States of America
Hviezdoslavovo nam. 5

811 02 Bratislava
Tel.:(421/7)5443 0861, 5443 3338
Fax:(421/7)5443 0096
www.usis.sk
Economic and Commercial Officer: Mark Bocchetti

Commercial Service, American Embassy
Grosslingova 35
811 09 Bratislava
Tel.:(421/7)5296 1079, 5296 1090
Fax:(421/7)5296 1085
Senior Commercial Specialist: Marian Volent
Senior Commercial Officer: Joseph Kaesshaefer (resident in Vienna)

United States Agency for International Development (USAID)
Hviezdoslavovo nam. 5
811 02 Bratislava
Tel.:(421/7)5922 3120
Fax:(421/7)5443 4711
Acting Mission Director: Maria Mamlouk

American Chamber of Commerce in the Slovak Republic
Hotel Danube, Rybne nam. 1
813 38 Bratislava
Tel.:(421/7)5934 0508
Fax:(421/7)5934 0556
www.amcham.sk
Executive Director: Leighton Klevana

Slovak American Enterprise Fund
Obchodna 58, P.O.Box 100
810 00 Bratislava 1
Tel.:(421/7)5273 1317
Fax:(421/7)5273 1323
www.saef.sk
President: Iveta Griacova

Slovak Office of Standards, Metrology and Testing
Stefanovicova 3, P.O. Box 76
810 05 Bratislava 15
Tel.:(421/7)5249 1085
Fax:(421/7)5249 1050
www.normoff.gov.sk
Director: Dusan Podhorsky

Slovak National Agency for Foreign Investment and Development
Drienova 3
821 02 Bratislava
Tel.:(421/7)4342 1851, 4342 1852
Fax:(421/7)4342 1853

www.snazir.sk
Investment Operations Director: Beata Polackova

National Agency for the Development of Small and Medium Enterprises
Prievozska 30
821 05 Bratislava
Tel.:(421/7)5341 7328, 5341 7330, 5341 7333
Fax:(421/7)5341 7339
www.nadsme.sk
Director: Jozef Majtan

Slovak Chamber of Commerce and Industry (SOPK)
Gorkeho 9
816 03 Bratislava
Tel.:(421/7)5413 1228, 5443 3291
Fax:(421/7)5443 0754
www.sopk.sk
Chairman: Peter Mihok

M.E.S.A. 10 (market research)
Hviezdoslavovo nam. 17
811 02 Bratislava
Tel.:(421/7)5443 5328, 5443 4009
Fax:(421/7)5443 2189
www.mesa10.sk
Executive Director: Viktor Niznansky

FOCUS (Center for Social and Market Analysis)
Grosslingova 37
811 09 Bratislava
Tel.:(421/7)5293 1366, 5293 1367
Fax:(421/7)5293 1378
www.focus.sk
Director: Ivan Dianiska

National Bank of Slovakia
Sturova 2
813 25 Bratislava
Tel.:(421/7)5953 1111, 5953 1112
Fax:(421/7)5413 1167
www.nbs.sk
Governor: Marian Jusko

Tatra Banka
Vajanskeho nabrezie 5
810 11 Bratislava
Tel.:(421/7)5967 1111
Fax:(421/7)5967 1410
www.tatrabanka.sk
General Director: Rainer Francz

Vseobecna uverova banka (General Credit Bank)
Mlynske Nivy 1
P.O. Box 90
829 90 Bratislava 25
Tel.:(421/7)5441 0510
Fax:(421/7)5441 0600
www.vub.sk
President: Ladislav Vaskovic

Statistical Office of the Slovak Republic
Mileticova 3
824 67 Bratislava 26
Tel.:(421/7)5023 6111, 5542 5802
Fax:(421/7)5542 4601, 5542 4587
Director: Peter Mach

Customs Directorate of the Slovak Republic
Mierova 23
821 05 Bratislava
Tel:(421/7)4329 3281
Fax:(421/7)4329 3281
Director: Milan Jasenovec

10.6 MARKET RESEARCH

The U.S. Department of Commerce’s Commercial Service provides useful services to American companies seeking potential business in Slovakia.

A. Agent Distributor Service (ADS)

Agent Distributor Service (ADS) provides U.S. companies with a short list of pre-screened Slovak contacts who have expressed an interest in representing the U.S. firm, after they have seen U.S. firm’s product literature. ADS fee is US$ 250.00.

B. Gold Key Service (GKS)

The Gold Key Service takes this step further by offering face-to-face appointments with Slovak contacts, when the representative from U.S. firm is visiting Slovakia. The fee is US$ 250.00 for first day of visit (up to 6 appointments per day) and US$ 150.00 each additional day. This fee includes the rent of conference room and hotel reservation. Interpreting service is paid by U.S. firm.

C. International Company Profile (ICP)

FCS Bratislava discontinued this service two years ago. ICP type of information is provided by specialists from Intercredit Bratislava (Cernysevskeho 26, 851 01 Bratislava, Slovakia, tel: +421 7 62410355, fax: +421 7 62410359) and Creditreform International (Liptovska 33, 821 09 Bratislava, Slovakia, tel: +421 7 53416989, fax: +421 7 53630031).

D. International Sector Analyses (ISA)

Commercial Service Bratislava has drafted interesting ISAs regarding Medical Equipment, Pharmaceuticals, Telecommunication Market, Environmental Technologies, Electric Power Generation Equipment and Commercial Vehicles.

E. International Market Insights

International Market Insights include reports regarding the privatization of industry sectors, public tenders, execution law, import surcharge, foreign trade fund, public procurement law, investment etc.

American companies are able to review these reports on the web page: www.stat-usa.gov.

To obtain more information, please contact your local U.S. DOC Export Assistance Center or the Commercial Service Bratislava, Grosslingova 35, 811 09 Bratislava, Slovakia, tel.: +421 7 5296 1079, fax: +421 7 5296 1085, email: bratislava.office.box@mail.doc.gov.

10.7 TRADE EVENT SCHEDULE

Major trade events listed below are those published for 2000. Interested parties are encouraged to contact the Slovak Chamber of Commerce and Industry or the Commercial Service of the American Embassy in Bratislava (listed in Chapter XI.) for 2000 dates and exact locations.

SECTOR/DATE	CITY	NAME
Agriculture		
April	Zilina	Agro 2000
Aug	Nitra	Agrokomplex 2000
Automobiles & Transport		
April	Bratislava	Autosalon, Autoservis
April	Bratislava	Benzinka
May	Zilina	Automarket 2000
Sept	Nitra	Autosalon 2000
Chemistry (rubber industry, plastics)		
February	Trencin	Expodrogeria - Clean
May	Puchov	Interguma
Jun	Bratislava	Incheba
Construction		

April	Bratislava	Coneco
Aug	Trencin	Stav-bau 2000
Sept	Kosice	Stavba 2000

Consumer Industry - Household, Markets

June	Bratislava	Int'l Expo of Consumer Goods
August	Nitra	Coopexpo

Ecology

May	Nitra	Enviro 2000
June	Bratislava	Ekotechnika
June	Trencin	Aqua, Hydroslovakia
Sep	Zilina	Komunal 2000

Electronics, telecommunications, computer technologies

May	Bratislava	Cofax
Sept	Zilina	T.I.S.
Oct	Trencin	ELO-SYS

Food and food industry

Sept	B.Bystrica	Delikatesa
Nov	Zilina	Potraviny

Furniture, apartment accessories

Mar	Nitra	Nabytok a byvanie
May	Kosica	Nabytok
Oct	Bratislava	MODDOM

Gastronomy, hotels

January	Bratislava	Danubius Gastro
Apr	Nitra	Alimenta, Gastra 2000

Health services and pharmacy

February	Bratislava	Slovakiadent
Oct	Zilina	Slovakodent 2000
Oct	Bratislava	Slovmedica - Slovfarma

Mechanical engineering

June	Nitra	Medzinarodny strojarsky veltrh

Oct	Kosice	Strojexpo Cassovia

Security technology

Apr	Kosice	Ozamo
June	Zilina	Alarmtech
Sep	Bratislava	Expoalarm - Krimipol
Nov	Bratislava	Security

Sports equipment

March	Bratislava	Intersport
Sept	B. Bystrica	Sport Linia

Textiles, clothing, cosmetics

March	Bratislava	Intershoe
March	Trencin	Trencin - mesto mody
Jun	Bratislava	Interbeauty
Sept	Trencin	Trencin - mestomody

Tourism, travel agencies

Jan	Bratislava	ITF Slovakiatour
April	Nitra	Dovolenka 2000
May	Banska Bystrica	Dovolenka 2000
Sept	B. Bystrica	Hotel

Wood processing industry and machinery

Apr	Trencin	Woodtech
Apr	Zilina	Expolignum
Oct	Nitra	Lignumexpo, Conex 2000

Finance, insurance

Sept	B.Bystrica	Finex